

THE PROCEEDINGS
of the 5th International Scientific Conference
on Trade, International Business and Tourism

Application of Knowledge in Process of Business
Dynamization in Central Europe



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FACULTY OF COMMERCE



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PREFACE

The objective of the conference is to further develop scientific discourse, extending knowledge bases in the field of trade, international business, services and tourism as a result of scientific research and awareness of the CEE economic environment as well as practical experience. Jointly they reflect on initial specifics of the CEE countries, drawing links that determine readiness of the CEE countries to respond to recent trends and challenges in relevant areas. Presented findings are derived from preliminary just like finalised outcomes of authors' research conducted in the framework of the following research projects:

- I-14-110-00 Global post-crisis economy changes increased competitive advantage in the era of globalized economy
- KEGA 017EU-4/2013 Youth education in secondary vocational schools on innovation and creating new business opportunities
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- VEGA 1/0205/14 Perspectives of existence of dynamic service enterprises in the Slovak Republic in the context of applying the principles of the initiative "Innovations in the Union"
- VEGA 1/0391/13 The importance of third countries for the strategic development objectives of the EU in the post-crisis period (with implications for the Slovak economy)
- VEGA 1/0461/12 Managerial competences in foreign and local companies in Slovakia as a source of increased competitive advantage in the era of globalized economy
- VEGA 1/0550/14 New challenges in European energy security and their impact on EU competitiveness in Horizon by 2020

- VEGA 1/0612/12 Determinants of the level, structure and trends in personal consumption and consumer behaviour of the elderly in the context of pricing and pension policy in Slovakia
- VEGA 1/0635/14 Status and prospects of development of the organic food market, traditional and regional foods in Slovakia
- VEGA 1/1057/12 Solving the debt crisis in monetary (not fiscal) union and factors of future deepening of the crisis in Europe and in Slovakia
- VEGA 1/1185/12 Changes in consumer trends, which are under conditional impact of the financialeconomic (social) crisis, the reflection of modifications in business marketing programs, in order to retain their competitiveness on international markets

The papers correspond with the central themes:

- Current Challenges in the Area of Trade in CEE – Impact on Business Processes in CEE
- New Knowledge in Area of International Business – Impact on Business Processes in CEE
- Actual Global Trends in Services and Tourism – Impact and Solutions in
- Processes of Business Dynamization in CEE

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Changes in Development of International Trade in the Period of Financial Crisis – Consequences for Economic Interests of the Slovak Republic¹

Peter Baláž² – Janka Pásztorová³

Abstract

The process of globalization of the world economy, which was marked in the post-millennium period by a dynamic growth of all key economic indicators, was largely undermined by the international financial crisis. Different adaptive capacity for the new situation in the world markets deepened differentiation processes undergoing within it. At the expense of the EU expanded mainly Asian countries. Their growing export involvement, which caused high negative balances of trade, is gradually supplemented by the growing interest of Chinese investors in the European area. By acquisitions of companies owning the technological know-how or unique patents, China is gradually assuming its positions on domestic and international markets. The EU is thus losing its positions not only in the segment of medium and high technologies and their commercial application, but also its main source for payments of its growing imports. The Slovak economy, which is absolutely dependent on own production export, is getting into deep interdependency and gradually loses the ability to positively influence the growing risks that arise from this development through its trade policy. The objective of this paper is to examine these relations and identify potential opportunities for the Slovak economy (EU) in order to be able to reverse this negative trend.

Key words

competitiveness, European Union, financial crisis, trade policy, international business

JEL Classification: B30, E620, F100

Introduction

"It is not possible to turn back the wheel of the history. The quicker humanity recognizes that different ideologies of the 19th and 20th centuries were dangerous impasse of evolution; the better must slip out from these blind alleys, if it wants to survive permanently. Perhaps for the first time in human history, we have the opportunity to transform states to peaceful service businesses, which will serve not only the monarch and the oligarchs, whether elected or not, but also to people. Globalization process progresses fast forward and states that believe they can avoid the process, barely survive permanently, because they are simply not competitive" (H. Adam II., 2011).

Global economy has been struggling with serious consequences of the international financial crisis during the last seven years. It is adversely affecting all territorial and substantive attributes of long-term growth of the world economy. Despite the fact that

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during the years 2013-2014 there were some positive symptoms of recovery, especially in the U.S., doubts regarding the future development remain. Uncertainty syndrome increasingly influences considerations regarding the economic growth of states and profit growth of transnational corporations (TNCs). This is ultimately reflected in slowing or stagnating of economic activity even in the territorial enclaves that are relatively well adapted to the new situation in the world markets (Cihelková, 2014). Throughout this period, high sales in Asia, particularly in China, kept "alive" mainly the European automotive and engineering industries. On the other hand, high negative balances of trade between the triad of world's superpowers began to show an appreciable decline in demand in international markets, which in turn, translates into reductions of Asian purchases of raw materials. This cycle of addiction accelerates disastrous consequences in terms of ability to repay huge loans by a majority of less developed, especially monoculture economies and generates growing domestic and regional political instability.

1 Methodology

As the main methodology in this paper, the authors used basic, partial advanced methods of scientific work based on the evaluation of secondary data through mainly qualitative methods of scientific work. Authors used primarily method of analysis and comparison. As a supplementary methods the method of synthesis and logical historical were applied.

2 Position of the International Trade (Problem formulation)

Globalization has brought a new dimension to the development of the world economy. It has become its continuous part and has changed significantly under its influence. A massive wave of liberalization and deregulation measures, which were probably the most visible manifestation of globalization, helped to open global markets and gradually unify the "rules of the game," according to which trade is conducted or financial transactions are carried out. There has been tremendous expansion in all these areas. Increase of shares of trade in GDP had accelerated virtually in all economies and the whole process gives the impression that it allows each other to utilize national comparative advantages and by their transfer, to increase global prosperity.

Globalization has become a logical outcome of the entire set of other development processes supporting them in their own way. The systematic efforts of states and integration communities to improve their individual positions within the new global trade system have become its "driving force". Gradually, it became clear that almost all the world's producers quickly realized that this is their "chance" and therefore the existence of a long-awaited "uncovered" market gaps and resulting synergies have proven to be rather imaginary. This was due to several reasons: into those processes stepped quickly emerging industrialized countries, especially Asian countries and a significant part of TNC started to "use" the internationalization of its Asian subsidiaries effectively and through them to satisfy the demand in the domestic markets, e.i. developed market economies (RTE). The result of the efforts to reduce their own production unit costs by increasing the volume of their production, rapidly deepening process of specialization and different forms of (hidden) support or indirect subsidization of production and exports by national economies had a direct impact on the competitiveness of developed countries and

ultimately their long-term international positions and national prosperity. In this *"space-time compression that globalization brings, the competition intensified increasingly and began bringing new question marks about solving the problem of international competitiveness"* (Šikula, 2013).

The answer to the question: "How to succeed in this global competitive environment" has become, during the entire first decade of this millennium, an imaginary "holy grail" of economic life filled with a huge number of different disparities and efforts to eliminate them. Competitiveness growth is bringing many more new challenges for states and new opportunities as well and by their awareness of the importance of the government support using various tools to strengthen their own competitiveness and to improve their positions compared to other countries. It was confirmed that ultimately it has always been and always will be a nothing less than the promotion of national economic interests which stand a priori in the background of such processes almost every time. Globalization, however, by creating new space, especially for the promotion of the results of scientific and technical progress and high technology and sophisticated service, had opened the door for their commercial usage de facto to anyone who was able to do it. On the other hand, globalization virtually destroyed the national anti-crisis protection walls built by governments, especially during the oil shocks or together as unitary tools of economic groups. This process had become more intensified and accelerated, resulting in deepening interdependence of individual actors of the world economy, as well as businesses operating there while changing the nature of the competition. This ultimately affects directly the sovereignty of nation states. It was confirmed that in the process of globalization, countries affected by decomposition of the territorial system integrity and rule makers of the "game" in terms of increasing competitiveness have become one of the active participants (Machek, 2012).

International trade is one of the most important and the most objective "health indicator" of the world economy. It relatively accurately indicates what the real value is, present state of the world economy and of its individual parts and what are the risks resulting from its development. In parallel, long term development provides a reasonable basis for the evaluation of its position as the most serious developmental tendencies. Such analysis can also predict how countries or integrations participate in covering the needs of international markets, as well as which trends can be expected in the market segments. It allows companies and businesses to prepare for the expected development, to diversify, to adjust their development strategies, to fill temporarily vacant space in these markets most flexibly or to get ready for fierce competition.

Differences in competitiveness are naturally reflected in changes of the position of individual countries in the global market. Trade liberalization was initially intended to create a space especially for the application of certain technological superiority, especially for developed economies, and promote stability and prospects for their international positions. Rapid reduction in production costs for technology-intensive products simultaneously promote international specialized processes which through the increasing volume of decreasing product's range gained on profitability. Ultimately, the illusion was created that the trade is moving towards its absolute liberalization and its unprecedented widening.⁴ Position of developing countries has changed very quickly in this process.

⁴E.g. during production of aircrafts or cars, hundreds of producers from various countries are engaged by which they opened their domestic markets and on the other hand their comparative advantages became the reason for shifting the whole productions to countries which are able to implement them directly to places or adversely they are the reason for outbound of investments.

Firstly, they served mainly as the cheap production manufacturers covering developed countries demand. Cheap prices should also eliminate competition from developed markets. These developing nations consequently began to open their economies and prioritized more sophisticated productions which they started to acquire (Baláž, 2012). Therefore, there was a striking difference in kilogram prices of Asian exports, which has doubled over the last ten years (IMF). The share of these countries, as referred to in Tab. 1, has grown rapidly due to structural changes in the nature of goods exported to international markets.

Tab. 1 World merchandise exports by a region and selected economy (1948-2012, in % and bil. \$)

	48	19	1	1	1	1	1	1	1	2	20	
	Value											
World	59	4	8	57	1	79	5	838	1	677	3	17
	Share											
World	0,0	10	00,0	1	00,0	1	00,0	1	00,0	1	00,0	10
North America	,1	28	4,8	2	9,9	1	7,3	1	6,8	1	8,0	13
United States	,7	21	8,8	1	4,9	1	2,3	1	1,2	1	2,6	8,
Canada	5	5,	2	5,	3	4,	6	4,	2	4,	9	2,
Mexico	9	0,	7	0,	6	0,	4	0,	4	1,	4	2,
South and Central America	,3	11	7	9,	4	6,	3	4,	4	4,	0	4,
Brazil	0	2,	8	1,	9	0,	1	1,	2	1,	0	1,
Argentina	8	2,	3	1,	9	0,	6	0,	4	0,	4	0,
Europe	,1	35	9,4	3	7,8	4	0,9	5	3,5	4	5,3	35
Germany a	4	1,	3	5,	3	9,	1,7	1	2	9,	0,3	7,
France	4	3,	8	4,	2	5,	3	6,	2	5,	0	3,
Italy	8	1,	8	1,	2	3,	8	3,	0	4,	6	2,
United Kingdom	,3	11	0	9,	8	7,	1	5,	0	5,	9	2,
Commonwealth of Independent States (CIS)	-	-	-	-	-	-	-	-	5	1,	6	4,
2, 5												
Africa	3	7,	5	6,	7	5,	8	4,	5	4,	5	3,
South Africa	0	2,	6	1,	5	1,	0	1,	0	1,	7	0,
Middle East	0	2,	7	2,	2	3,	1	4,	8	6,	5	7,
3, 1												
Asia	,0	14	3,4	1	2,5	1	4,9	1	9,1	1	6,1	31
China	9	0,	2	1,	3	1,	0	1,	2	1,	5	11
2, 4												

Japan	4	0,	5	1,	5	3,	4	6,	0	8,	9	9,	4	6,	5	4,
India	2	2,	3	1,	0	1,	5	0,	5	0,	6	0,	8	0,	6	1,
Australia and New Zealand	7	3,	2	3,	4	2,	1	2,	4	1,	4	1,	2	1,	6	1,
Six East Asian Traders*	4	3,	0	3,	5	2,	6	3,	8	5,	7	9,	6	9,	7	9,

Source: WTO.2014. World Trade Development. Available online at: http://www.wto.org/english/rese/statistics_e/its13_world_trade_dev_e.htm

While, in 1973, over a half of the world exports came from Europe and together with North America it's secured over 2/3 of world exports, in 2012, their share dropped to 48.8 % against 31.5 % from Asia. In 2009, China became the world's largest exporter and in 2014, industrialized Asia (China, Hong Kong, Singapore and Taiwan) will most likely record higher exports value than the EU exports together. Dynamics of changes in the development of international trade has been the manifestation of the effects of differential progress of major economic centers and negative consequences determined by expansion of negative effects arising from the global financial crisis in recent years (Bolotov, 2013).

Although initially it seemed that this originally only referred to as the mortgage crisis of 2007 is only a local problem in the U.S., the following months have already confirmed how great its infectivity is and how the globalization reduced the ability to protect themselves against the shocks. Huge losses of European and Asian banking houses caused a sharp decline of domestic bank liquidity and exposed the entire European banking sector to enormous pressure. It was still less able to remediate risks arising from the potential default of Greece, Cyprus, Spain, Portugal and probably Italy. Consequently, this crisis began to interfere with the existence of other part, until then successful, of the European integration community. Set financial consolidation and implementation of austerity programs affected directly the economic activity in the Euro area and the uncertainties related to the ability to solve the current debt crisis risks were further deepened. The whole process was reflected in a sharp fall in domestic consumption and confidence of the financial system. Most EU countries addressed the new situation with increasing exports and through their efforts to cover losses from capital markets and bad debts.

The financial crisis has shown how important the strategically coherent economic policy is. Recent economic mechanisms have necessarily reflected the strategic dimension of trade policies of countries whose involvement in international trade is high. Ultimately, its primary goal is to enforce the interest of a country or an integration group, but even such a serious nature of these processes could not be untouched by consequences of the financial crisis and the most important part remains to promote competitiveness as a tool for the application of its own comparative advantages in international markets.

3 Competitiveness of the EU and its Impact on Positions in Foreign Trade (Problem solution)

European Union, in terms of its competitiveness, relied on beneficial effect of three important factors for a long time:

- Traditionally high level of technology and innovation in its production and achieving high labor productivity,
- Large internal market (economy of scale),
- Its long unquestioned position on international commodity and capital markets.

Above mentioned factors of success were effective and undoubtedly unique from the geographical, historical, economic and political perspective. They were inimitable or tingly and were the main imperatives of economic prosperity of the Union for decades. Period of the financial crisis, however, showed that their positive impact melted and in the meanwhile, Europe had not prepared any new strategic scenarios as to maintain or create a new position in the world economy (Štěřbová, 2013). What has happened in the US and on the sub Asian continent in recent years was a kind of economic consolidation and the most economic sectors succeeded, albeit to a varying degrees, to adapt to new situation in the world markets. However, it seems that Europe has exploited all reserves and is not in the situation to prepare new one. It turns out that the consequences resulting from this financial shock acquired permanent character and even great support projects as EFSF or consolidation of the banking sector did not bring the expected effects. GDP of the EU was declining by about 0.4 % per year during the period of 2012 and 2013 (Laqueur, 2013).

Forecasts for the recovery of economic growth in the Euro zone shows that the same economic performance as just before the crisis (2007) can not be expected until the end of 2015 and that only with the assumption of growth in 2014 of at least 1.25% and in 2015 by 1.75 %. (Morgan, 2014). The USA reached that level already in 2011. Europe's share on global GDP was over 25% in 2000, it was less than 20% in 2012, and the tendency is a further decline. Logically, these results are reflected in the trade development. Eurostat estimate that trade growth will achieve 1 to 2 % in year to year comparison in 2013, while the EU largest exporters Germany, the Netherlands and France, according to the same source, had experienced a cumulative decline of exports.

Tab 2. Competitiveness index (years 2012 and 2011 in %)

Rank 2012	Rank 2011	Country	Rank 2012	Rank 2012	Rank 2011	Country	Rank 2012
1	1	Hong Kong	100	15	9	Australia	83.18
2	1	USA	97.75	16	28	UAE	82.49
3	5	Switzerland	96.68	17	15	Finland	82.47
4	3	Singapore	95.92	18	20	Great Britain	80.14
5	4	Sweden	91.39	19	17	Israel	78.57
6	7	Canada	90.29	20	24	Ireland	78.47
7	6	Taiwan	89.96	21	18	Austria	77.67
8	13	Norway	89.67	23	19	China	75.76
9	10	Germany	89.26	24	21	N. Zealand	74.88
10	8	Qatar	88.48	45		Poland	58.44
11	14	Netherlands	87.16	49		SR	56.84
12	11	Luxembourg	86.05	54		Hungary	53.78

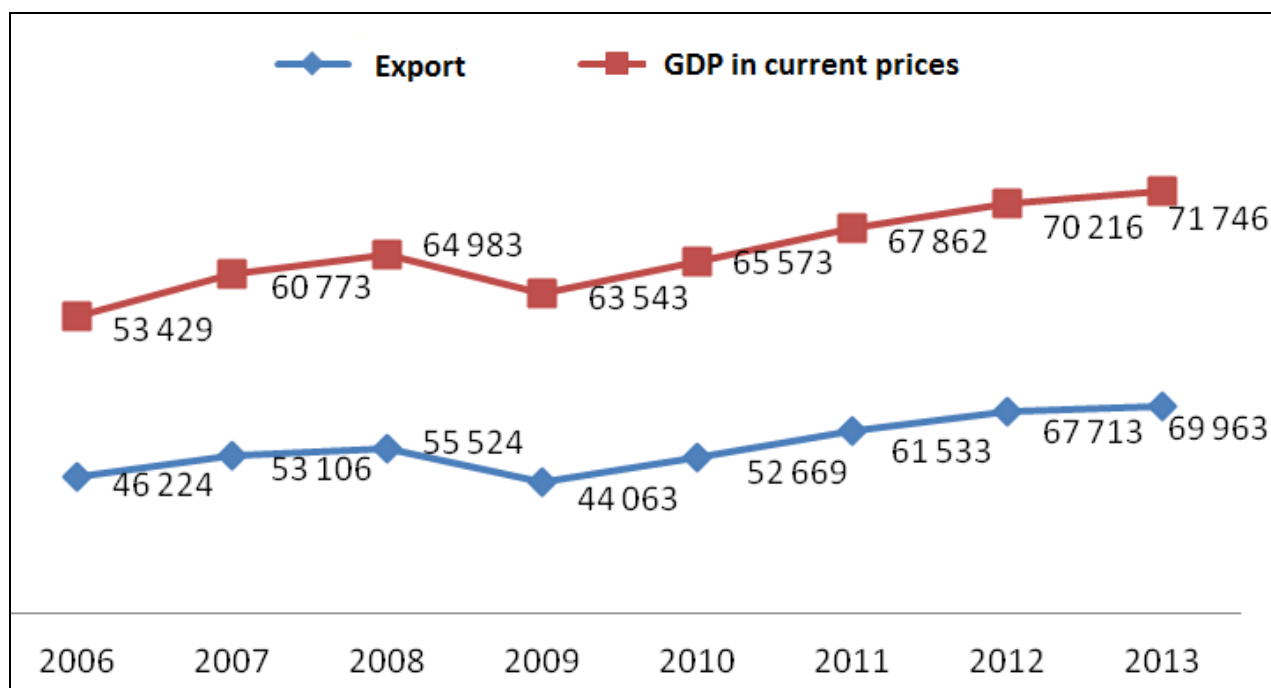
Source: World Economic Forum (2012). Global Competitiveness Report. In: <http://www.weforum.org/reports/global-competitiveness-report-2012-2013>

Many reasons can be found in solving why the importance of the EU is declining. The main one is a gradual loss of competitiveness against Asian tigers and other emerging economies. W. Laquer acknowledged that even a bigger threat is "the loss of its political influence, because it is too weak to play a crucial role in the world politics." This view is confirmed by the facts in Table 2, where are, according to the WEF competitiveness index, only two EU Member States but for example up to four Asian economies.

4 Consequences of Development in the Global Economy for the Slovak Economy (Problem solution)

There is no doubt that the Slovak economy has been a permanent part of the EU for already more than a decade and a part of Euro area for more than five years. Its enormous economic openness and dependence on this grouping, which continues to deepen, confirms the fact, that the share of exports of goods and services in GDP amounted to more than 95.1% in 2012, with more than four fifths of exports headed to the EU markets. From this perspective economic performance could be explained as a positive, because it is actually a manifestation of the international export competitiveness. On the other hand, it enormously increases its "sensitivity" to the development of external demand, particularly to the conditions of sales on the European markets. We get the less optimistic view of the above mentioned, if we take into account that about 68% of our imports, mainly in the form of components and manufacturing nodes, is de facto used to finalize the production and re-exported (NBS, 2013). The added value in our production base is significantly lower than in the EU15 (only 30%). Ultimately, it largely consists only from cheaper labor force and a solid logistical base and therefore there is not a successful evidence of structural changes within the economy. If we should look at the Slovak economy objectively in terms of its overall performance and "lay aside" evaluation in form of indicators, i.e. share of GDP p.c. or exports at current prices, it is only at level about 25-35% of the EU average (NBS, 2013).

Graph 1 Slovak GDP and Export Development (2006-2013, v mil. €)



Source: Authors calculation based on the data of NBS a Statistic Office of SR.

Slovak economy experienced the onset of the financial crisis through multiple "channels." It was not only a significant decrease in the development of the underlying economic indicators, but particularly rising unemployment and public debt. In practical

terms, it was shown that between development of sales mainly in Germany, France and the Czech Republic and the increasing demand for production and export of the SR exists a direct correlation, the threshold of "sensitivity" is high and the government's own adaptation measures designed to change this development have only a marginal effects. It is a real fact that investors "generate" directly or indirectly about two thirds of the Slovak GDP and three quarters of exports and their outputs reflect fully their own economic and territorial interests, this confirms that the state can affect this situation only indirectly. It is given by the fact that domestic consumption, due to a small economic size of the country, has never been a "driving force" of the Slovak economy. Therefore the government had to focus its development strategy on further increase of the attractiveness of the home environment for potential foreign investors, helping already established businesses in the domestic market and "sync" its macroeconomic ideology with the EU's expectations more effectively. So far, in the EU internal market those "were successful, who sell cheaper, provide greater customer convenience and offer consumers the required guarantees."

Conclusion

Overall progress of the Slovak economy and its effective convergence with other EU countries can only accelerate further growth of export performance as an expression of increasing international competitiveness "dragging" behind increasing GDP and the resulting systemic and substantive effects. Our economy still has the short-term provisions in form of better production diversification, more intensive support of export or in promoting small but fast-growing companies dedicated to progressive technologies and services. It has been confirmed that the largest reserves are in growth of value added, expansion of sophisticated technology and innovation, so the outcomes that are unique on the market and have no problem with sales with a higher price. Foreign investors in SR have behaved absolutely rationally and their activities in Slovakia have so far served as a "bridge loan". However, it is only a matter of time before they decide to relocate their production capacities to countries that will offer greater comparative advantage than our economy does. The same period also delimits the time space; we have to prepare for such internal change.

It is well known that the only successful alternative how to resist Asia's expansion and its efforts to implement its own comparative advantages and "take over" the EU internal market (SR) is the overall sophistication of production environment as well as the pace of innovation that will give Europe sufficient time to restore its own international market position and ensure its own prosperity. If the EU "does not capture" this trend, it will translate into the rapid retreat from its previous worldwide positions, with relevant consequences for its national sovereignty, independent economy and a high level of social and community life. In this scenario, the prevailing international crisis in Europe will become permanent and unprecedented phenomenon. The solution can only be of long-term nature, based on a coordinated development strategy of a major reform of the European education systems more closely, replicating future changes in the labor market, significantly increasing its quality, building effective scientific research base, with the objective to increase the competitiveness of the whole group as an important priority (Bolotov, 2013). Even such approach will be referred to only as a potential "opportunity" to succeed in the ongoing decade satisfactorily respond to developments that the world economy expects in the coming decades.

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The 21st Century – the Qualitative Changes in the Global Integrated Economy

Vítězslav Balhar¹

Abstract

The 21st century has brought new qualitative changes in the world economy. The Global Economy Centre of Commerce spreads from the Euro-Atlantic area to the Asia-Pacific sphere with the domination of the USA and China markets. The USA and the European Union are preparing a new effective level of economic and scientific cooperation in the new Zone of Free Trade and Investment. At present, the Russian Federation created new global integration: the European-Asian Economic Union with the constitution of 1 January 2015.

Key words

world economy, new global integrations, qualitative changes

JEL Classification: M10, M37

Introduction

The global economy centre in the 21.st century presents in its positive aspects and also problematical development many new activities and also epoch making changes in global economy – especially in the sphere of international economic integrations. The very important global change is the creation the new global economy centre in Asian – Pacific sphere. It is the result from dynamic economic development group countries BRICS – Brazil, Russia, India, China and South Africa (Zakaria, 2010).

First ever is the economic development in China. At the beginning of this century China acquired the first place in global exports and the second place (after USA) in the global economy. Very important in global economy are also the other countries of BRICS – India and Brazil. And as a result the global economic center moves from European – Atlantic area to the Asian – Pacific sphere.

This epoch making change in global economic centre creates a new situation for European Union countries – especially also for central European countries, concrete for Slovakia and Czech Republic. Important is the preparation of the new business export projections and new cooperation with business partners in this new global centre for the successful export operations in permanent future.

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1 Methodology

The study presents the important factors, threats and opportunities in the changing global economy after the crises period on the beginning of 21.st century. Two scientific methods are presented in the paper: the descriptive research and deduction. The descriptive research is being used for describing the existing variables, categorizing the new information. The deduction is being used to obtain new information concerning the new global economic centre. Very important is also the preparation of the new commercial strategies – probably also with partners for permanent business successful operations in this important new territory. The statistical analyses of the global corporations are also presented in the paper.

2 Results and Discussion

2.1 Transatlantic trade and investment partnership

The USA and the European Union present the highest quality of life, together more than a half global production of goods and services and also the first global centre of science and technicality and presents the democratic world with projection for dignified future to the whole population of the world (Cleaver, 2007). Very positive are also the foreign trade connections among the USA and Europe. The mutual foreign trade in goods and services presents the yearly level among 1 billion USD.

In connection with the creation of the new global economic center in Asia-Pacific area - it will be useful to the further improvement of the legislative power for the development and expanding perspective mutual trade, scientific, investment and further connections. The expansion of this mutual cooperation will present more than a half of global foreign trade capacity. Concretely the strategic importance of this creation of the new legislative formation system among the USA and European Union. First of all it will be eliminated of all customs duties. The current customs duties presents in the USA 4,5 % and in European Union 5,2 % – very important will be the elimination of the duties for agricultural products. European Union has some problems with the genetically modifications foodstuffs.

Some problems are still now with harmonization of the technical codes and standardizations in technical sphere in the USA – which are presented as an American advantage or privilege. In the present predominated the effort for positive solution (Stadler, 2012).

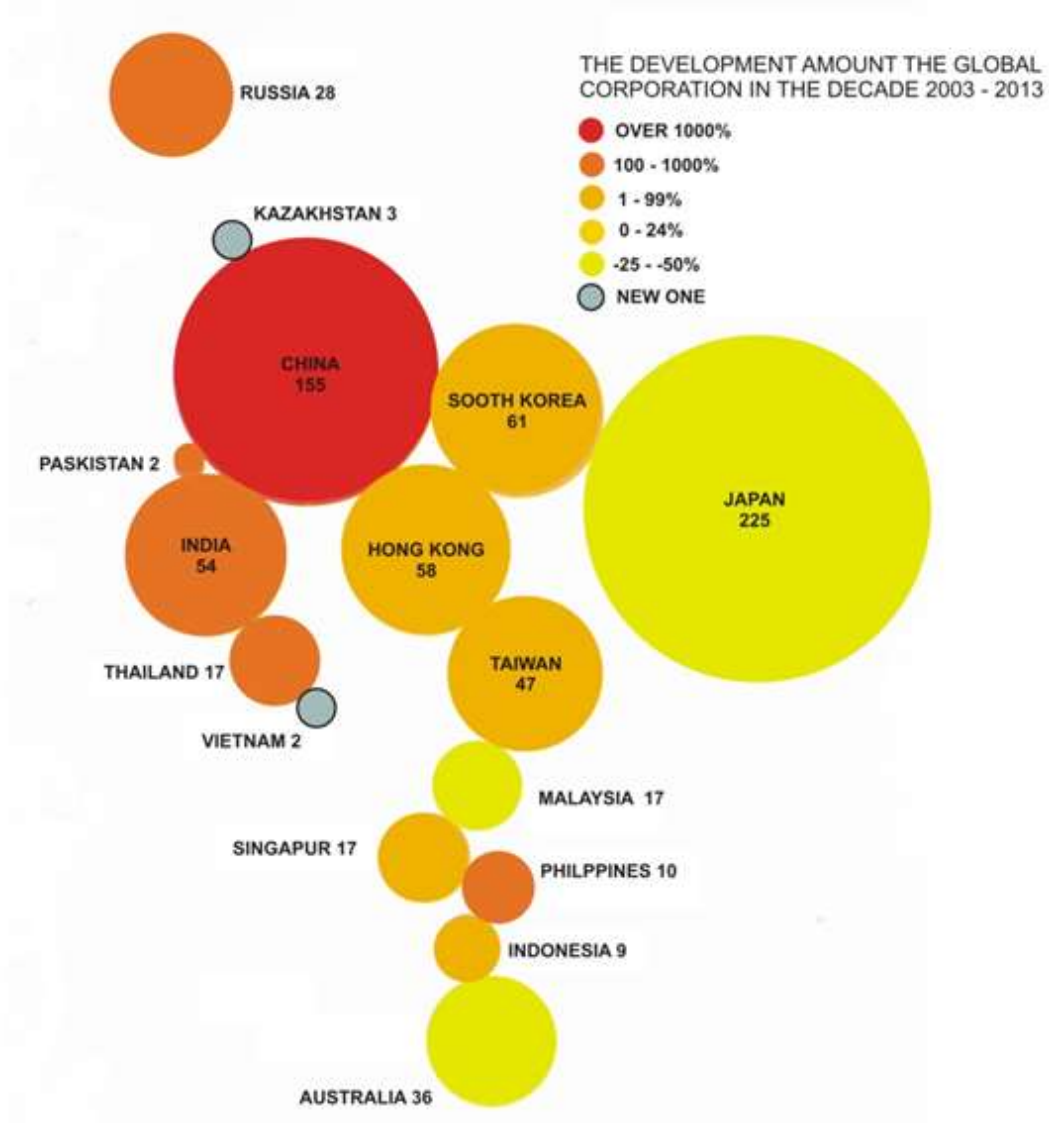
The Transatlantic Free Trade Union of the USA and European Union will not be the united economy - the integration will not have the free labor market. The positive result will be in connection with public competition in business sphere.

Very important proposition of this USA – European Union is economic proposition in scientific area in expanding cooperation in science in the USA and Germany especially IT technologies, in robotic engineering and in programming projects industry 4.0. The USA with the European Union have the concrete vision to formulate the scientific center of the global world in the 21.st century. This strategy is also very important for the scientific development in Slovakia and Czech Republic – for the qualitative development not only for

our science, but also for the new qualitative scientific development in high schools in central Europe.

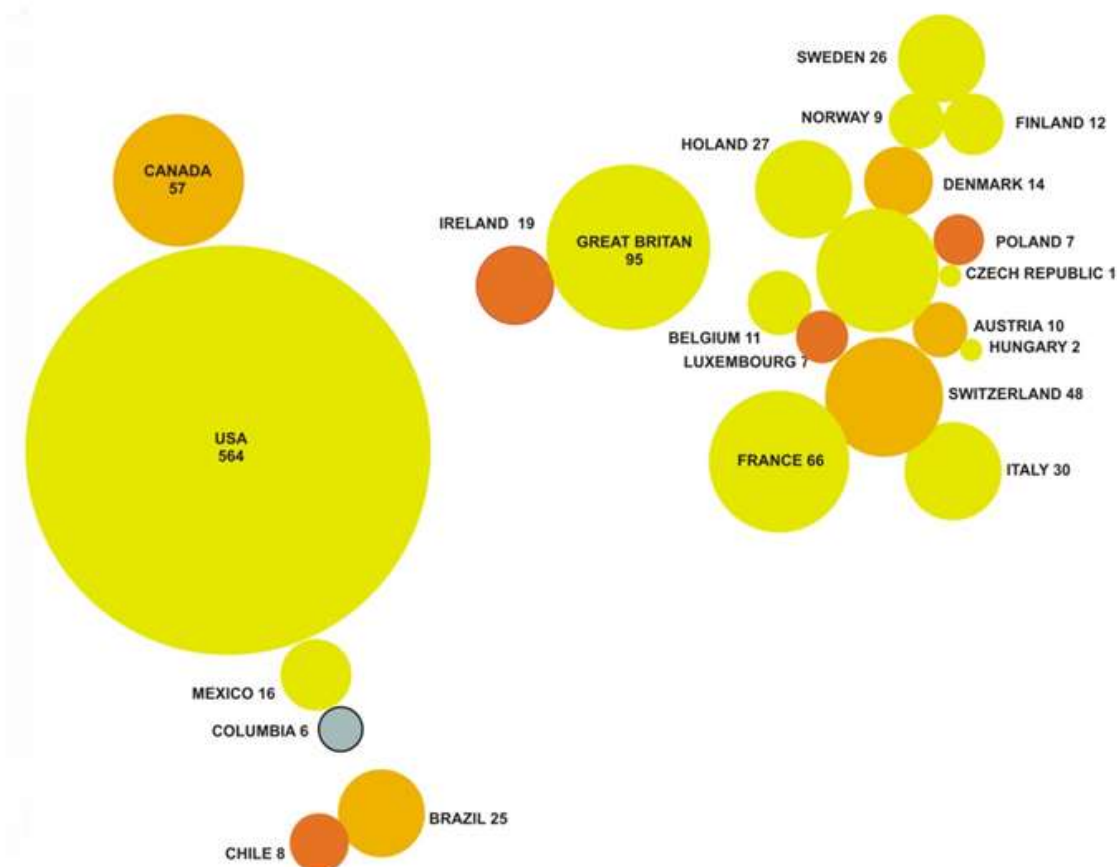
The qualitative development in science sphere in the USA and the European Union present the concrete facts – the mutual foreign trade in the year 2013 in IT groups and telecommunication presented in the USA 750 million Euro and in Germany 617 billion Euro - this presented a half of world trade in this field and concrete Germany precedes in this sphere 900 000 experts (F.A.Z. 3.5.2014 p.13).

Fig. 1 The development amount the global corporation in the decade 2003 - 2013



Source: FORBES, June 2014, p. 75

Fig. 2 The development amount the global corporation in the decade 2003 - 2013



Source: FORBES, June 2014, p. 75

2.2 New global economic integration – The European – Asian Economic Union

In the present the Russian Federation creates – as an antipode to the European Union the new global economic integration The European – Asian Economic Union of the states: the Russian Federation, the Kazakhstan and the White Russia with the constitution 1.1. 2015. The main organizer of this new international integration is the Russian president Vladimir Putin. He presented that it is only an international integration – not a new version of Soviet Imperium.

This new international integration presents the global association with 170 million population – and presented the first global producer of energy goods (crude oil and natural gas). The projection of expanding this new economic union are the states Armenia and Kyrgyzstan in future it may be also Ukraine.

The economic power of this union dominated Russian federation: the largest state territory, with population in the year 2006 142,5 million inhabitants and in 2013, the GNP was 2 100 billion USD. Kazakhstan, population in 2006 15 million, GNP in 2013 220 billion USD. The White Russia 9,5 million population, 72 billion USD GNP in 2013 (F.A.Z. 2.5.2014, p.13). The European – Asian Economic Union – that was organized by president Vladimir Putin, he presented the opinion that the cardinal error for the 20th century was the liquidation of the Soviet Union in his position of the mighty global power state. He has the very strong competence for resolving the greatest history error and reviving a global mighty empire for the present Russian Federation. This optimistically prognoses is based

on the great Russia history, on the victory the Soviet Union in the II World War on the first largest territory on the globe, on the first position in global energy and last but not least on its genial abilities for realization of its historical life destination. This courageous historical trend for the new global empire is opened and the future in real global world verifies the reality of this grandiose projection for Russian in the 21.st century.

Conclusion

The end of the cold war and the penetration of new information technologies have noticed the abolishment of restrictions and commencement of globalization process. Globalization makes opportunities of improvement of each activity or goods almost endless (Chebeň, 2004).

The perspective development for all-sided mutual advantage relation in Central Europe countries is for the future also perspective. The reason is based on the traditional imports of the energy goods from Russian federation and other east countries. For the future development this economic relations it will be useful the mutual coordination for this activities – as formulated by the Polish Republic. For the future development of the European Union activities with the Russian Federation and the Central European states there is not optimistic prognosis – for the support the russian separatist´s war to win the sovereignty states separate out of Ukraine.

The perspective for developing the European Union economic, trade, and especially scientific relations with other global areas is unequivocally very perspective. The European Union Central European countries have also a good perspective for developing: the mutual advantages both sides cooperation.

The global jihadists aggression is for the 21st century development global world extraordinary very dangerous – especially for the jihadists war to win and constitute the Islamic State in territory in Syria and Iraq. The war is brutal murder war realized by 34 000 aggressive jihadists – include 3000 Moslems with the European Union passports (The Wall Street Journal, 10. 10. 2014 p. 14). Therefore exists the fear for transferring the terrorism to Europe and the whole world. Islamic State militants have sized large stretches of territory in Iraq and Syria. The new wave threatens to worsen a crises caused by more than two million refugees from conflict in Iraq and Syria to Turkey.

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Development of Internet Infrastructure and ICT in Services¹

Dana Benešová²

Abstract

The global essence of the Internet creates opportunities for growth, employment or innovations in the whole economy. Not easily accessible data are being gradually disclosed online, allowing transformation of markets and entire sectors. The scale at which information and communication technology can contribute to value chain of service production, whether by cost position improvement or differentiation, leads to change in competitiveness of service enterprises and thus, is of strategic importance to prosperity of enterprises. Enterprises should be able to respond to both current and future challenges; they should systematically re-evaluate the strategy of distribution channels and, more importantly, their corporate values and culture. This paper systematizes the knowledge about present use of ICT of selected service enterprises in Slovakia in the EU context. Based on comparison, analysis, synthesis, and generalization, the paper will establish the level of Internet infrastructure development in Slovakia in accordance with trends in the ICT area.

Key words

digital literacy, ICT infrastructure, ICT implementation, services sector, business services

JEL Classification: L83, L84, O33

Introduction

Due to the ongoing dynamics of growth and offer of jobs, the services sector belongs to the fastest developing and changing sphere of the economy in all European countries. Services have several specifics and characteristics, they are typical for production diversification with different knowledge intensity; however, the key source of all services is, in addition to the human factor, the use of technology. Development of science and technology, innovations and especially of information and communication technology and the Internet not only changes, but above all optimizes value-creation processes of service enterprises. Therefore, effective use of Internet infrastructure and of ICT within Internet infrastructure creates an opportunity for service enterprises for the improvement of their position in domestic and foreign markets.

The main objective of the paper is to establish the extent of use of Internet infrastructure and ICT by selected service enterprises in Slovakia in the EU context and to evaluate it in compliance with tendencies and trends in the ICT area.

¹Vega 1/0205/14 „Perspective of existence of dynamic service enterprises in Slovakia in the context of applying principles of the innovation in the Union initiative“.

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1 Methodology

To meet the objective, the following methods were applied:

Within the preparation of the initial theoretical-methodological basis, there was used the method of content analysis of secondary sources and other sources of knowledge of domestic and foreign provenance based on which interim partial conclusions are made and formulated. Moreover, also quantitative methods were used, including statistical examination on the basis of secondary quantitative data and the comparison method for the comparison of the use of information and communication technology (ICT) by service enterprises in Slovakia and in the EU. The sections according to the classification NACE Rev. 2, namely J – Information and communication, M – Professional, scientific and technical activities, and I 55 – Accommodation were examined. Data were primarily gained from statistical sources of Eurostat and the Statistical Office of the Slovak Republic. Based on partial analytical findings resulting from the data from secondary quantitative observation by means of synthesis method, the development and rate of use of ICT by selected service enterprises in Slovakia within the EU were identified.

2 Results and Discussion

Innovations and ICT change not only the entire services sector, but the entire economy, too, namely both at global and regional level. Several authors are dealing with the influence of ICT on the growth of economy, among them O'Mahony (2003), van Ark (2005), Inklaar (2005), Denis (2004), Piatkowski (2004), Delina (2005), Vajda (2005) and others who point to that fact that the very investments in ICT and an increased use of ICT in single sectors of economy supported convergence of Central and Eastern Europe countries towards EU15 states. And in terms of investments in software, the services sector has been overtaking the production sector in recent years (McCredie & Bubbner, 2011).

Competitiveness of services is influenced by several factors, however, one of the key factors of competitiveness of the services sector is ICT (McCredie & Findlay, 2011) which has a considerable favourable influence of labour productivity (Kretchmer, 2012). According to the World Bank, another important factor of competitiveness is increase of Internet penetration and development of high quality digital infrastructure (ABAC, 2011).

Authors such as Greenwood (1998), Powell (1997), Brynjolfsson (2003), Hitt (2003) and others emphasise dependence on working skills, human capital, and the ability of companies to restructure working processes, to change corporate culture, which is brought along with adaptation of ICT. Investments in information technology alone, without further changes and investments associated with ICT integration and effective use, cannot secure competitive advantage and higher productivity for an enterprise. Therefore, along with the implementation of information technology, companies need to innovate not only processes, but also products; they need to change organizational structure, and implement innovations of human resources (Kubičková, 2009). Thus, differences between ICT and innovations are wiped off. In that context, also the level of digital skilfulness and abilities of population as potential employees of services enterprises, but mainly as their customers gains significance.

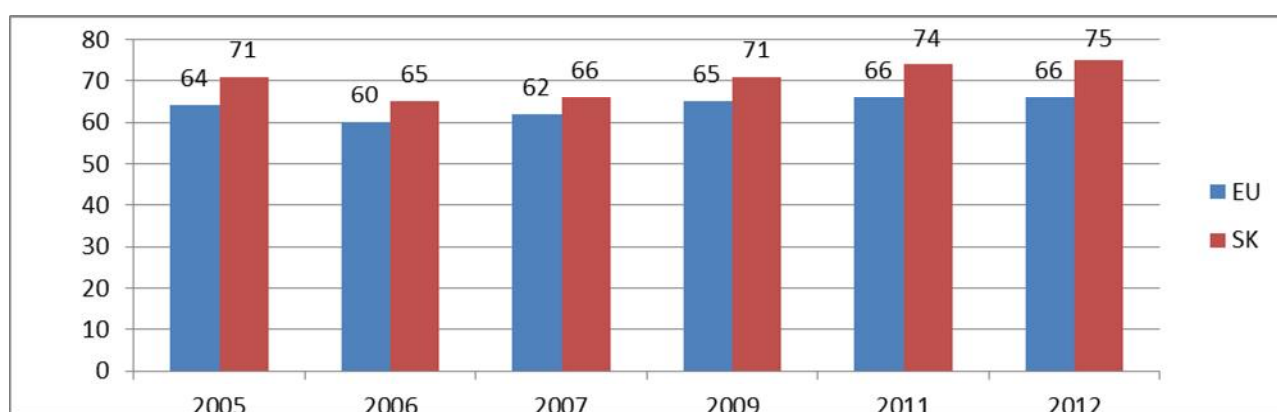
2.1 Penetration of the Internet and Digital Literacy in Slovakia in the EU context

Access to broadband networks accelerates transmission of knowledge and opens a wider space for new audio-visual and information services with rich content and high added value. High-speed electronic networks increase effectiveness of electronic transactions and electronic communication in businesses, between businesses and also towards the end consumer. Continual access of citizens and households to broadband networks is, therefore, one of indicators of information society, because it accelerates and ensures constant access to information, supports interactivity and more sophisticated transactions between the company and end consumer.

Steps and efforts towards expansion of geographical impact and speed of the Internet in the European Union countries have been taking place for more than a decade. On average, 42% of EU-27 households had broadband connection in 2007; the share almost doubled in 2013 and reached 76% (Eurostat, 2013). However, if we also include satellite technologies in the survey, than as much as 99.9% coverage was reached in 2013 (Kroesová, 2013).

In Slovakia, less than a half of households had access to broadband connection until the year 2010. Due to that we were falling behind the European Union. That was caused mainly by problems with penetration of DSL broadband internet connection and its availability especially in rural areas. However, the number of households increased by 23% to 72% in 2012, i.e. the Slovak Republic considerably improved its position. In 2013, however, the share of households with access to broadband connection (both landline and mobile) dropped by 2% to 70% (Eurostat, 2013). But the number of Slovak households with Internet access is growing faster than the EU-27 average. The number of households with Internet access increased by 239.13% compared to the year 2004. We witnessed the highest year-on-year increase by as much as 70.37% in 2007.

Graph 1 The share of digitally literate population in Slovakia and the EU between the years 2005 and 2012 (in %)



Source: M. Velšic, 2013, p. 14

As for the penetration of the Internet in Slovak companies, the situation is different. The penetration of the Internet in Slovak companies was higher than in households. 99.4% of Slovak enterprises had Internet connection in 2012 (Statistical Office of the Slovak Republic, 2012) and 92% of companies in Slovakia had broadband connection

(both landline and mobile) in 2012, i.e. the same amount as in the EU28 (Eurostat, 2012). These results clearly indicate the motivation of Slovak companies to ensure the most efficient and effective ICT infrastructure.

The level of digital literacy among population is one of important indicators defining the technological framework of a country and disposition of potential customers and companies. On the side of customers, it determines the possibilities for the use of the Internet for searching information about products, for monitoring experience of other customers, communication with producers, comparison of prices and availability of products, for making transactions and the like. The information obtained in that way influences behaviour and decision-making of consumers and, on the other hand, for service enterprises, this important channel is an opportunity to gain better knowledge of needs and wishes of their customers, to adapt/expand their offer depending on these needs and wishes, and that finally results in a better position in the market.

The development of digital literacy had a slightly growing trend between 2005 and 2012. For all the years under review, digital literacy of Slovak population was higher compared to the EU. In 2012, the share of digital literacy in Slovakia reached 75%, i.e. 10 percentage points more compared to the EU (Velšic, 2013). In this area, citizens of Slovakia managed to keep pace with developed Member States. Not only the share of digitally literate people increased, but also the level of digital skills and competences improved. An important part of population is still learning and adapting to ICT, which is an important condition for a long-time process of informatisation of society.

2.2 ICT Infrastructure in Service Enterprises

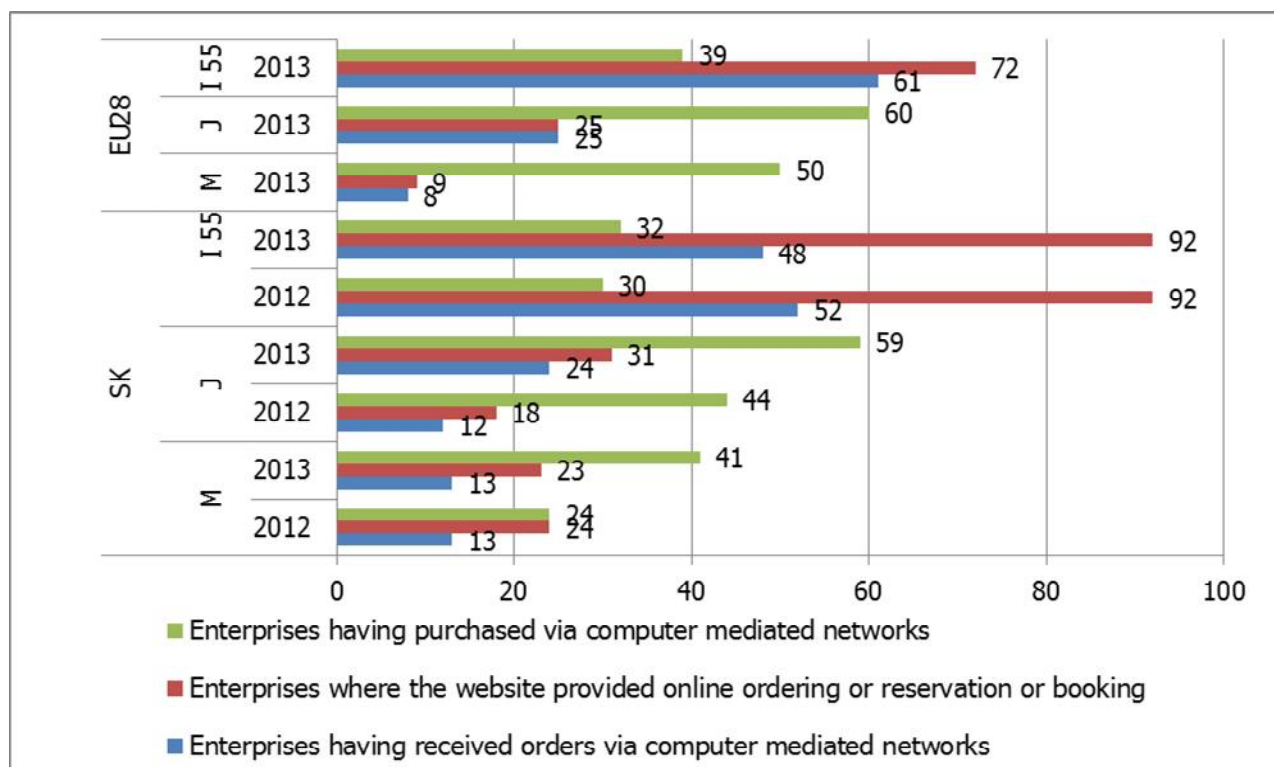
Growing competitive pressure on companies in the global economy and technological progress are the driving force behind the development of ICT infrastructure and e-commerce. Customer product value is based on a combination of factors including product/service features and transaction cost of maintenance during lifetime. If features of products offered over the Internet do not differ from the features of products/services offered in shops and catalogues, e-commerce allows for reduction of transaction cost and extension of services offer. With the use of new opportunities (collection, selection, analysis, synthesis, transformation and distribution of information), the classic value chain (proposal, production, human resources management, marketing, sales and maintenance) changes into a virtual value chain.

An important precondition bringing effects from ICT implementation is the use of more advanced technology such as ERP (enterprise resource planning), SCM (supplier relationship management), and CRM (customer relationship management) systems used to support knowledge management and online procurement and online sales transactions. Based on analyses, Koellinger confirmed the hypothesis that positive impact of ICT on productivity is indicated in those enterprises which use sophisticated ICT and complex e-business solutions (Koellinger, 2007).

Due to the heterogeneity of the services sector, sectoral approach is also important and it includes both knowledge-intensive services, the production of which is directed mainly to intermediary production (for example, business services which according to NACE Rev. 2 belong to the sections J – Information and communication, M – Professional, scientific and technical activities), as well as services with low knowledge demands (for instance, accommodation services and restaurant and hospitality activities – according to

NACE Rev. 2 sections I 55 – Accommodation and I 56 – Food and beverage service activities) which primarily produce for the end consumer. While the key areas of ICT implementation in the case of business services are working time monitoring, internal working processes (areas such as access to and exchange of information, knowledge management, team cooperation among employees), purchasing, exchange of documents and preparation of cooperation with suppliers and sophisticated web sites of an enterprise (European Commission, 2004), the areas of the most frequent use of ICT in tourism and hospitality services are the searching for sources, sales, marketing, and customer relations area (European Commission, 2006).

Graph 2 The use of e-commerce by service enterprises (sections J, M, I 55) in the EU and Slovakia (% of enterprises)



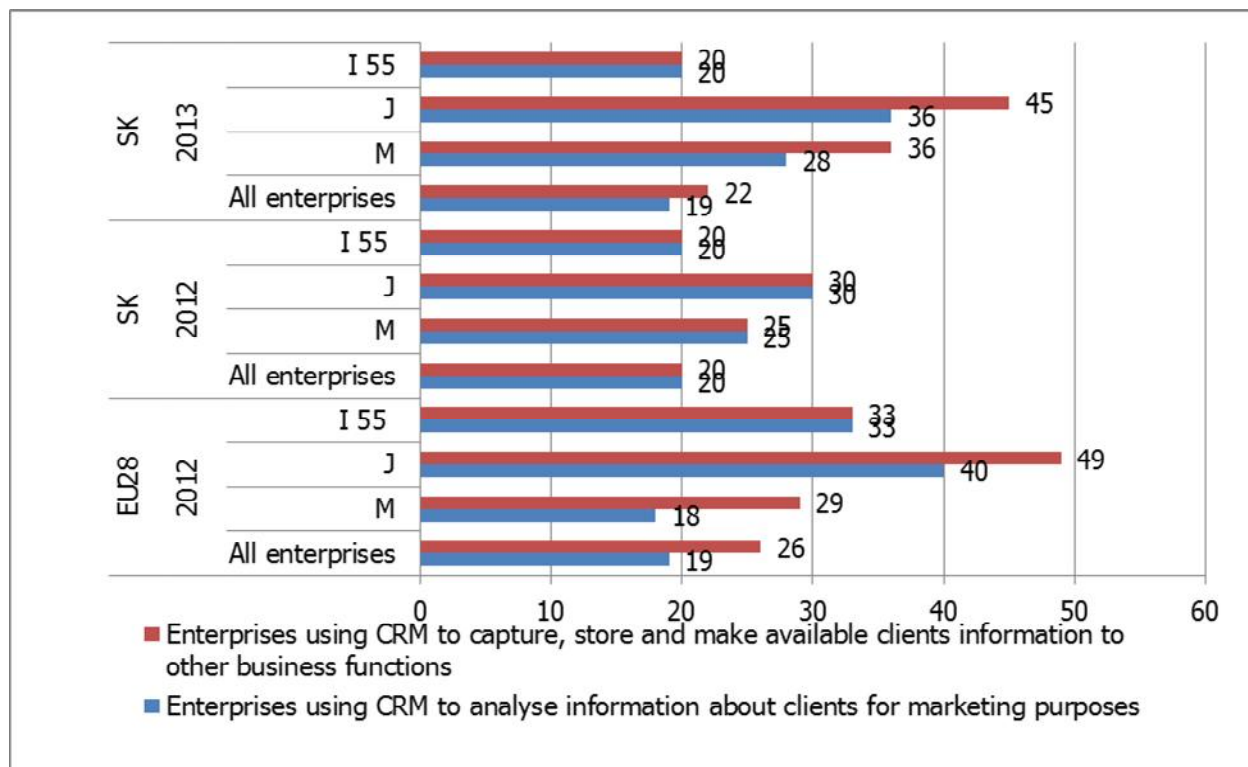
Source: Eurostat, 2014

We can see year-on-year improvement in the use of e-commerce in all the examined sections in Slovakia. Significant difference in favour of Slovak enterprises was reported in the use of sophisticated website; in section I 55, as much as 92% of enterprises provide ordering and booking services online. The use of e-commerce by enterprises in the EU and in Slovakia in the sections under review is almost identical. Year-on-year results show that Slovak enterprises quickly catch up with the higher use of purchase or sale in the EU. Both in Slovakia and in the EU, companies in the sections M and J make the most electronic purchases, while companies of section I 55 use electronic sale the most often.

Similar tendencies are also visible in the use of CRM systems. Except for section I 55 – Accommodation (SR), the share of enterprises in the examined sections using CRM systems is higher in both Slovakia and the EU than the average for all enterprises in the economy. In Slovakia, that share reports a growing trend. The question is, however, why accommodation services in Slovakia fall behind the use of CRM systems when CRM

systems bring the most significant effects in relation to clients. CRM systems are used the most by Slovak and European enterprises classified in section J. All enterprises in the relevant sections use more analytical CRM systems than the systems which provide information to clients and which are interconnected with other business functions.

Graph 3 Service enterprises (sections J, M, I 55) using CRM systems in the EU and SR (% of enterprises)



Source: Eurostat, 2014

Surprisingly, in 2010, SCM systems were used by enterprises in all the examined sections, both in Slovakia and the EU, namely above the average levels compared to the average for all enterprises in the economy. In Slovakia, more than a half of enterprises in all the examined sections and even more companies than in the EU use SCM systems, however, especially companies which belong to section J (Eurostat, 2013).

In Slovakia in 2013, 91% enterprises in section J, 85% enterprises in section M and 44% enterprises in section I were using portable devices for mobile connection to the Internet for corporate purposes (Slovak average: 65% enterprises); social networks were used in sections J (47%), M (24%), I (39%) and the Slovak average was only 21% of enterprises (Statistical Office of the Slovak Republic, 2013). Mobile access helps to generate tailored offer of services, supports communication, sales, and logistics, and allows the origin of new business models. Presence of an enterprise on social networks allows for communication with a larger number of customers who formulate demands, ideas and valuations of services. If they are reported and analysed in a corporate system, then they can effectively, unprecedentedly and positively influence marketing, sales, and services of the enterprise.

Conclusion

In a relatively short history of the Internet, Slovak service enterprises managed, in the European context and regardless of demands placed on knowledge, to respond to global challenges which definitely include technological infrastructure facilities. Save for small exceptions (low extent of equipment with CRM systems in accommodation services enterprises in spite of the fact that it is the key area for these enterprises) reached comparable and in some indicators even better results than the EU average. Service enterprises are better equipped with software than the average for the Slovak Republic, thus, it is obvious that they consider investments in ICT infrastructure to be crucial.

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Euromarketing – Marketing Audit in Practise (Results of a Research)¹

Viera Čihovská² – Šárka Kličková³

Abstract

The European Union is a grouping of countries in which originally separated markets are joined in one multinational and multicultural entity. Along with many opportunities, it also brings risks which grow with the size of the market. The primary purpose of this article is to highlight an important marketing management tool to capture these opportunities and risks – the marketing audit and observe its application in Slovakia and Italy on a practical level. Our research was carried out through questionnaires that were focused on businesses in Slovakia and Italy to determine the common and different tendencies in the field of investigation. The specific results are presented in the second sub-section and confirm convergence trends and common characteristics in the behaviour of enterprises of both countries.

Key words

euromarketing, European Union, marketing audit, marketing tools, Slovakia, Italy

JEL Classification: M31, M16

Introduction

Euromarketing is a modern management concept for the implementation of an effective exchange on the single European market by broadening the scope of its examination of the formerly separate markets to a multinational and multicultural marketing. The single European market currently accounts for 40% of world trade and is the largest internal market with fixed terms applicable to all EU countries. It is a connection of 28 states jointed into one large unit, whose territory is home to more than half a billion people. The gross domestic product formed in this territory is nearly USD 16 trillion and exceeds the capacity of the United States.

The European market brings large market opportunities for Slovak businesses as well, and therefore they can benefit from economies of scale resulting from the size of the market. Moreover, it is contributing to the creation of closer cooperative relations between firms, which may increase the efficiency of R&D activities, and a higher efficiency in logistics and distribution is assumed as well.

On the other hand, Slovak businesses wishing to establish in the common European market have to be prepared for a changeable, complex and highly competitive marketing environment. For the purposes of our research we will focus on a tool that can effectively help enterprises overcome risks, uncover opportunities and evaluate effective strategies to increase performance in the European market. It is the marketing audit, which can be characterized as a "comprehensive, systematic, independent and periodic examination of

¹KEGA 017EU-4/2014 „Euromarketing - Factors and Determinants of the Single European Market“

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environment, objectives, strategies and activities of the company to identify its problems and opportunities, as well as designing plans to improve the marketing performance of the company, that can help managers understand the operation of the individual parts of the organizations and their contribution" (Čihovská, 2007).

Marketing audit is a tool that reveals risks and weaknesses to the company, but also shows opportunities and ways how to win over the competition. In this article we gradually characterize the theoretical definition of the research problematics, in particular the nature and process of marketing audit, and consequently we offer results of a survey focused on firms from two EU member countries – Slovak Republic and the Republic of Italy. The partial results that are presented in this paper are part of a comprehensive in-depth qualitative and quantitative research, while the aim was to capture the major trends of companies in the use of marketing audit in practice and capture common and different tendencies from two countries.

1 Methodology

In this context, the aim of the paper is to refer to the strategic importance of marketing audit and its potential for maintaining good state of a company in the competitive European market and to outline a realistic experience of companies in applying the tools of marketing audit in practice on the example of the realized survey in subjects from both Slovakia and the Republic of Italy

In the stage of processing this contribution logical methods of scientific research were applied, which include a set of methods using the principles of logic and logical thinking. The basic method for the theoretical research was analysis, which is a dominant tool for an in-depth knowledge and for the creation of a base of information necessary for the follow-up comparison of different approaches and for the final synthesis, that enables the connection of information obtained from the initial analytical steps to form a comprehensive system of mutually compared and coherent approaches.

An important objective of this paper is to provide a realistic view of the actual application and use of marketing audit in practice of companies in Slovakia and Italy and attitudes of enterprises towards it in the context of tracking joint trends within enterprises in the European market. In order to understand the examined issues better, an in-depth investigation qualitative as well as quantitative was realized and its aim was to capture real tendencies of companies in the use of marketing audit. The approached subjects in this research were firms from Slovakia and Italy and then it was possible to pursue the common and distinct features of these two European countries. The main findings that have been captured in European enterprises from the two countries observed in the quantitative survey are presented in this paper.

The advised study was implemented through standardized questionnaires sent to corporates by e-mail and its purpose was to capture and detect the condition and the amount of use of marketing audit in practice.

The primary research objective was to process a *two-dimensional comparison of the level and condition of the practical implementation of the marketing audit between enterprises in two selected countries: the Slovak Republic and the Italian Republic*. Slovak Republic is among the younger members of the European Union and the comparison with the Italian Republic, which belongs among countries with a historically significant and strong position in Europe (although the country's current economic situation is less

favourable), have been the main motives to undertake this survey. When processing the survey results the statistical method of data analysis χ^2 -test of fit⁴ was applied to reveal relationships between the dependent variables of interest.

Hypotheses that we formulated tried to capture the essential elements of the marketing audit and were pointing directly into the core research issues. For the needs of the article, we offer the following two hypotheses that try to detect similarities related to the scope of the enterprise landscape.

H₀: There is not a demonstrable correlation between the country of scope of the company and whether or not it implements marketing audit. (They are independent.)

H₁: There is a demonstrable correlation between the country of scope of the company and whether or not it implements marketing audit. (They are dependent.)

This post offers partial results of a quantitative survey and a verification of the worded hypotheses along with the recovery of common and different tendencies in the practice of marketing audit between companies from the two countries observed.

2 Results and Discussion

2.1 The Nature and Process of Marketing Audit

The idea of marketing audit dates back to the 60s of the 20th century, when Rudolph Dallmeyer, a former director of Booz-Allen-Hamilton, was among one of the first who applied marketing audit in a real enterprise in 1952. Another promoter of this marketing tool in business practice was, in 1957, one of the Directors of the American Marketing Association, Robert J.Lavidge, among other things, he served as president of Elrick and Lavidge (Kotler et al., 1977).

The first mention of the topic in marketing publications was in 1959 by A. Shuchman, a professor at Columbia Business School, in a work named "The Marketing Audit: its Nature, Purposes and Problems" as a part of a set of articles from the American Marketing Association, which in the same year published proceedings about marketing audit – "Analyzing and Improving Marketing Performance, Report No. 32". The work was devoted to fundamental theoretical definitions and concepts, and also contained practical recommendations for the performance of marketing audit (Capon, 2007).

In the next decade, marketing audit has increasingly begun to occur in the offer of services of many advisory and consulting firms in management, but it was the critical period of the 70s, that pointed out its strategic importance and purpose (Taghian & Shaw, 2002).

In 1967, the marketing guru, P. Kotler, devoted an entire chapter in "Marketing Management: Analysis, Planning and Control" to audit and defined it as "an element which

⁴ χ^2 -test of fit – χ^2 -test of fit belongs in the group of nonparametric methods of statistical tests. It is a test to check the assumption on the distribution of the random variable. It determines how well the actual data correspond to the expected breakdown. Chi-square test allows a comparison of found class frequencies with the expected frequencies, the expected frequencies can be derived from the expected theoretical distribution of a population or may be based on different forecast shares (Richterová, 2008).

is much more comprehensive and more detailed than any other control activity of the company" (Taghian & Shaw, 2002).

Year 1977 was a turning point in the theory of marketing audit, because the trio of authors, Kotler, Gregor and Rodgers, published an article – "Marketing Audit Comes of Age" and created a theoretical basis, which represented somewhat of a knowledge springboard for other generations of authors that published studies on this subject. It brought the definition of marketing audit, also its basic characteristics, description of its process and its different phases, components of marketing audit, its benefits and obstacles.

Lyková in her book „Marketingový audit a kontrola" defined marketing audit as "a systematic sequence of diagnostic steps that are engaged in undertaking marketing activities on a larger scale. It is an examination that is complex, systematic, independent and periodically performed. After carrying out the analysis, an action plan to improve the marketing of the firm is followed" (Lyková, 2000).

Individual above-mentioned characteristics are being developed by the author as follows:

- Complexity – means that the marketing audit covers all marketing activities.
- It is systematic – means that the marketing audit is a systematic sequence of diagnostic steps which relate to the enterprise marketing activities.
- Independence – means that the marketing audit is carried out by independent external consultants who have the necessary knowledge, objectivity and impartiality of the audit results.
- Frequency of – means that the marketing audit is carried out at regular intervals and therefore allows businesses to not only help in times of crisis, but is able to maintain a successful business in a good position in the market.

Based on a study of a number of procedures for the application of marketing audit in enterprises, we recommend using the PDCA cycle, which was originally created by Walter Shewhart in 1930 and subsequently elaborated by Edwards Deming to improve the quality of processes in the company. The PDCA cycle was prepared especially for effective solutions and improvements in manufacturing activities, processes and systems and its application to the process of marketing audit businesses illustrates the sequence of steps that need to go with the intention of fulfilling its mission.

The main components of the PDCA cycle are:

- **P**lan
- **D**o
- **C**ontrol
- **A**ct

ISO standard EN ISO 19011:2011 precisely targeted milestones of an audit for quality control in the company, which are also important in the marketing audit. The following section explains how to connect the PDCA cycle with the prescribed stages of the audit, namely marketing audit. PDCA process works very well when it follows these steps:

1) The first step in the PDCA cycle is – to **Plan**. According to ISO the first step is "Starting the audit" – it includes the appointment of the head of the audit team, setting goals of the audit, its scope and criteria for determining the enforceability of the audit, the audit team selection, creating an initial contact with the auditee. It is also appropriate to include to this stage of the PDCA cycle an activity from the third stage of the audit according to ISO standards – "Preparing for the audit activities performed at the site – the preparation of the audit plan, allocating work to the audit team, preparing working papers.

2) The second step in the PDCA cycle – to **Do**. According to the procedure laid down in the ISO standard, at this point we can assign the stage "Examination papers" and "On-site audit activities", under which the following sub-activities can be classified – realization of an opening meeting, communication during the audit, roles and responsibilities of guides and observers, gathering and verification of information – which blend imperceptibly into the next point PDCA cycle.

3) The third step in the PDCA cycle – to **Control**. At this point it comes to "Comparing findings and the desired condition", together with the determination of the causes of adverse developments and identifying corrective actions.

4) The final step in the PDCA cycle – to **Act**. This is a formulation of remedial measures, their approval and implementation in practice in order to improve the current situation. According to the ISO standards and the prescribed stages of the audit this is the phase "Preparation, approval and distribution of the audit report" and "Completion of the audit", the activities that fall under this stage are – formulation of the findings of the audit, the preparation and implementation of the conclusions of the audit and the closing meeting.

2.2 Survey Results

The set of reporting units was created from the register of catalogue Trend, register Bloomberg, companylist.org register, register of Italian-Slovak Chamber of Commerce, register of the Association of Electronic Industry of the Slovak Republic and the businesses that participated in the international exhibition EloSys 2013.

Ultimately, a total of 3512 questionnaires were sent in the Slovak Republic, of which 50 questionnaires were distributed at the conference EloSys 2013. A total of 1,731 companies were approached to which the questionnaire was sent twice at an interval of several months. The total number of usable questionnaires was 134, and the resulting return was thus relatively low, mainly attributed to the high busyness of businesses in today's turbulent business environment and a certain tolerance of the survey as a whole. The overall return in terms of the total amount of sent questionnaires accounted for 4% and in terms of the total amount of polled businesses accounted for 7.7%.

In the case of the Italian Republic, a total of 1,653 firms were interviewed and the questionnaire was re-sent to them also several months apart, which finally emerged to an amount of 3306 questionnaires. The total number of usable questionnaires was 98, suggesting that the return we had was also low, to which in our opinion the above-mentioned reasons for Slovak enterprises have contributed as well and also reluctance to participate in a survey, which is not primarily organized by their domestic country. The overall return in terms of the total amount of sent questionnaires accounted for 3% and in terms of the total amount of surveyed enterprises amounted to 5.9%.

The realized exploration and description of the results shows us the basic tendencies in the practice of companies in Slovakia and Italy. Overall, marketing and its application and implementation in enterprises from different regions is different and partly stems from many factors, which are typical of this or that country.

Our research, however, confirms that there are comparable trends in approaches to marketing and marketing audit and its performance. It has been shown that there is a similar method of roofing marketing in companies. Of course it is possible to observe some differences, but overall you can see many common characteristics. It should be noted, that Italian companies had a little more proactive attitude to marketing and rated it as an important element of the overall corporate complex. This can be documented by the question of where companies were asked to express how they perceive marketing and its impact on the effective acting of the enterprise on the market, with 65.7% of Slovak respondents consider it very important and in the case of Italy as much as 82% agreed marketing audit was very important.

Similarly, in the application of marketing audit more favorable conditions could be detected for the benefits of the application of marketing audit in Italy, where almost 60% of companies apply it regularly or occasionally, while in Slovakia the application reached only 47%.

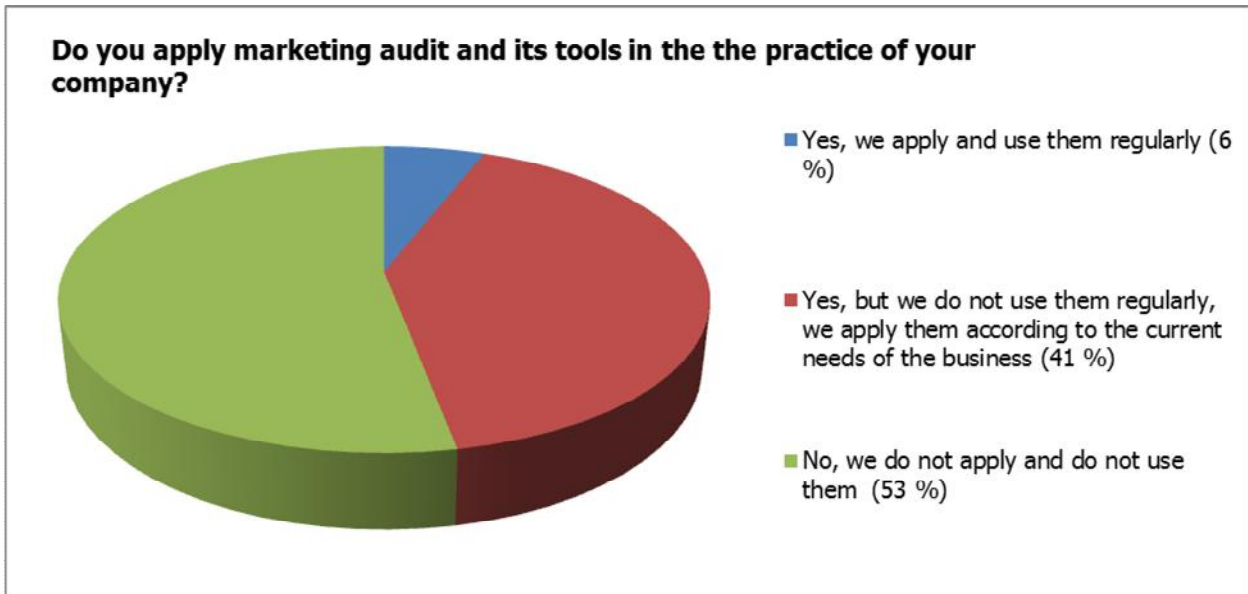
Globally, however, it can be evaluated that European convergence forces are so strong that there are similarities between the Slovak and Italian companies.

"European drivers can lead to convergence and standardization of the European marketing strategy. Standardized marketing can, on the supply-side, bring conformal side effects, supported by cost or price factors that will determine the intensity of euromarketing convergent structure" (Čihovská, 2013).

Another question in the survey was focused on the application of marketing audit and its tools in practice of the surveyed enterprises. Concrete results are available in the following part of this paper.

Question: Do you apply marketing audit and its tools in the practice of your company? (Possible answers: Yes, we apply and use them regularly; Yes, but we do not use them regularly, we apply them according to the current needs of the business; No, we do not apply and do not use them). This question was supposed to reveal the extent to which companies apply marketing audit and categorize them into three basic categories: regular users, occasional users and non-users (Graph 1).

Graph 1 Graphical representation of responses to the question of Slovak enterprises



Source: own elaboration

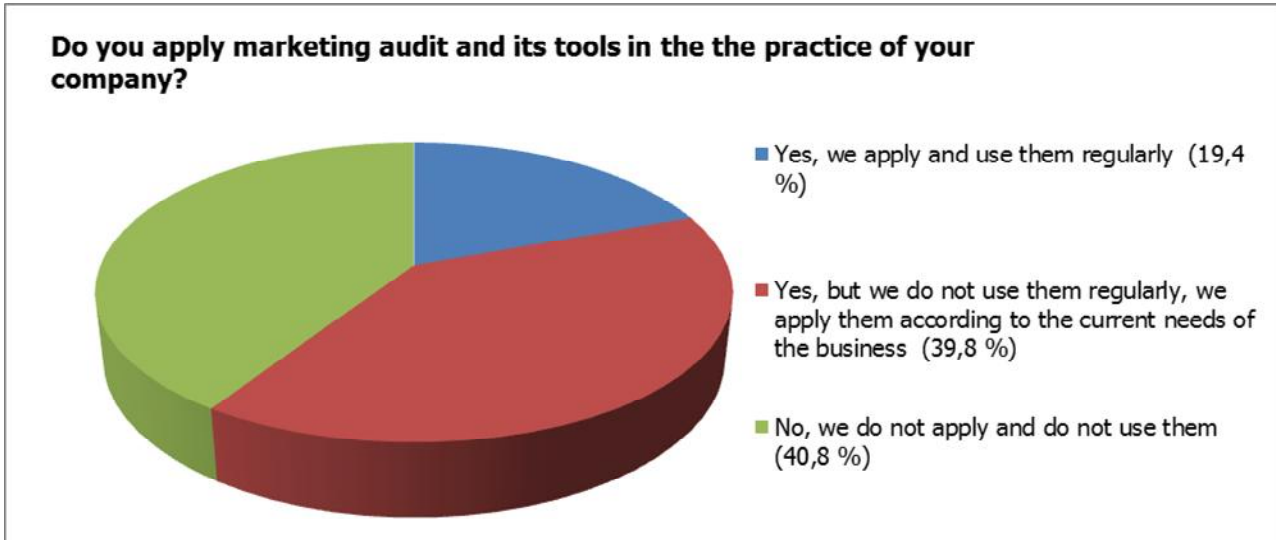
Marketing audit is a tool that has, with the right application, many strategic and tactical benefits. It is necessary to be aware of the fact that it should be implemented in the company, especially at this time, in the same way as the traditional accounting audit. This question revealed that in the Slovak Republic marketing audit is regularly used by only 6% of the respondents. It is necessary to take into account the fact that marketing audit is not a centrally mandated action in which case its undertakings would be an annual prerequisite and without its implementation the company would cease. It is also not possible to determine the exact time periods when should it be applied in the enterprise. Marketing audit and its practical application has to be tailored to conditions and characteristics of a particular subject, and it is not necessary to follow strict deadlines for implementation. This explains that 41% of businesses apply the tools of marketing audit, and do not use them regularly, but according to the actual needs of the enterprise. Less favourable fact the survey revealed is that 53% of businesses do not apply and do not use marketing audit and its instruments at all. 47% of the total sample thus more or less regularly use marketing audit in their real practice, more than half of the respondents, however, is less experienced in this area.

In the case of Italian companies we achieved slightly better results, because the answer "Yes, we apply and use them regularly" was chosen by 19.4% of respondents, which is higher than in the case of companies in Slovakia. 39.5% of companies chose the alternatives according to which our analysed tools are used, but only in connection with actual needs. Almost 41% of the total sample do not use all the positives that marketing audit offers, which is a relatively high figure. However, it can be seen that the number of active users of marketing audit is proportionately higher, up to about 60% of the total sample. In summary, however, companies responded to the question in a very similar way, suggesting that both Slovak as well as Italian businesses still have a relatively high percentage of "non-users" of marketing audit.

This question revealed that there are significant reserves in the incidence of marketing audit in enterprises in Slovakia, as well as in Italy. It is not possible on the basis of the limited possibilities of the survey to assess whether it is a phenomenon typical for all

European countries, but it can be assumed that an increase in user of marketing audit will be observed, whereas in the intensifying competitive environment it will be a strategic element to improve the marketing position in the market.

Graph 2 Graphical representation of responses to the question of Italian enterprises



Source: own elaboration

Based on the findings, the following hypotheses H_0 and H_1 can be verified, whether a degree of dependence between the country of scope and the application scope of the marketing audit tool in companies can be observed. Hypotheses were tested using the method χ^2 -test of goodness of fit.

H_0 : There is not a demonstrable correlation between the country of scope of a company and whether or not it implements marketing audit. (They are independent.)

H_1 : There is a demonstrable correlation between the country of scope of a company and whether or not it implements marketing audit. (They are dependent.)

By calculating the chi-square in Statgraphics we got a p-value (p-value = 0.0668), according to which it can be argued that since the p-value is 0.0668 ($0.0668 > 0.05$), therefore we reject H_1 and accept H_0 , meaning that our specified variables are independent, which means that forth in the variable, i.e. use or non-use of marketing audit in businesses is not affected by the explanatory variable, i.e. company country of scope (Figure 3).

Fig. 1 χ^2 -test of goodness of fit with the value p-value

Chi-Square	Df	P-Value
3,36	1	0,0668
2,89	1	0,0892 (with Yates' correction)

Source: own elaboration

Based on the evidence of the realized survey we can, in the case of our pair of hypotheses, **confirm hypothesis H₀** (There is no proven relationship between the country of scope of a company and whether or not to implements marketing audit) and **reject hypothesis H₁** (There is a demonstrable relationship between country of scope of a company and whether it implements marketing audit tools).

Conclusion

Businesses nowadays face many new opportunities as well as risks due to the large and dynamic opening markets around the world, which brings a number of advantages as well as disadvantages. Since the 60s of the last century, the literature was increasingly mentioning a tool that organizations of different nature and size could, with the right application, help achieve the best results in the field of marketing and subsequently overall engagement and success in the market. This important tool of marketing management known as the marketing audit is therefore an essential element of long-term means of evaluating the overall marketing system in enterprises.

Thanks to an extensive qualitative and quantitative research we can confirm that there are similar tendencies and behavioural characteristics in two different EU countries – the Slovak Republic and the Italian Republic. Overall, even though many companies use marketing audit, there are still some differences in its application in matured Italy and in Slovak Republic. This paper presents the benefits and advantages that may marketing audit offer with its proper application and based on our findings we think that the knowledge of businesses in this area will be continuously increasing.

A very positive finding in the framework of Slovak businesses who participated in the exploratory study is that despite marketing audit is not used at all or its usage is limited, companies expressed their ambitions to learn more about it and possibly apply it in their companies in order to improve the results not only in marketing, but in terms of overall business performance and competitiveness in the European market.

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The Development of European Retailing¹

Viera Čihovská²

Abstract

The current development of European trade is determined by the growth of international activities of companies (internationalization) and linking economic, political, cultural and organizational relationships in global measures (globalization). Internationalization and globalization activities enhance concentration processes in the field of organizational and operational business units into ever smaller number of business enterprises, which directly affect the formation of large retail companies that acquire a dominant position in the European retail market. The aim of the article is to give a deeper analysis of the developments of European trade on the example of European companies and predict the further development of retailing.

Key words

development of european retailing, world and european trade, internationalization, globalization

JEL Classification: M19, M31

Introduction

The current development of European retailing is determined by the growth of international activities of companies (internationalization) and establish economic, political, cultural and organizational relationships between the global (globalization). Internationalization and globalization activities enhance concentration processes in the field of organizational and operational business units into ever smaller number of business enterprises, which directly affects the formation of large retail companies that acquire a dominant position in the European retail market.

The growth in sale of consumer goods, organizational and operational concentration formed the classic internal trade into an important economic category of international importance. Trade is today one of the most dynamically developing economic sectors, considerably participating in the creation of domestic product and new jobs. Business enterprises create a link between economic components in any place of the distribution system. According to Dr. P. Bernert, ex-President of Euro commerce, "trade is the most dynamic component of the relationship between production and consumer." Mainly the European retailing is currently represented by highly concentrated and integrated companies operating in the world-wide area. These are large organizations of joint-stock or private-limited company type with a large number of various operating units that use uniform management and marketing at all world markets. Global internationalization today sets the trends in the assortment, price, distribution and communication policies of business organizations. In this context, this section aims at a deeper analysis of the

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European trade and explanation of the nature and consequences of global trends, mainly in the European retailing area.

1 Methodology

The world trade and European trade have been undergoing significant qualitative and quantitative changes in the past decades. These changes are connected mainly with the concentration, internationalization and gradual globalization of trade as parts of the world's global economy. In this context, the aim of the article is to give a deeper analysis of the European trade and explanation of the nature and consequences of global trends, mainly in the European retailing area.

We have examined and analysed the European retailing on the basis of our long-time examination of the issue within our educational process, and also based on the results of the research project KEGA No. 1/0047/11 "The concept of European marketing and common market segmentation with the focus on the selection and implementation of marketing strategies for improving competitiveness of Slovak enterprises in the EU market" investigated at the Department of Marketing, Faculty of Commerce of the University of Economics in Bratislava. Our paper is also based on many theoretical papers of Slovak and foreign authors who are dealing with this issue (Berman & Evans, 2013, Burstiner, 1994, Levy & Weitz, 2011, Jindra & Pražská, 2002, Cimler, 2007, GFK, 2011, Atkerney, 2012) and we have also used the statistical data available at the portal of the European statistics database Eurostat, analysed studies of the consulting company Deloitte, synthetized analytical data of the company Planet Retail and compared electronic databases of IGD Retail Analysis datacenter portal of the European statistics database Eurostat, analysed studies of the consulting company Deloitte, synthetized analytical data of the company Planet Retail and compared electronic databases of IGD Retail Analysis datacentre.

2 Results and Discussion

2.1 The Essence and Importance of Retailing

The origin of trade is a consequence of social division of labor which earmarked a range of important activities for trade. The main essence of trade is circulation of goods which seems to be a social exchange of values in the form of purchase and sale. Today's society delegates many important and qualitatively new tasks to trade. Modern trade has removed many useless links, pointing out the importance of those functions which originally gave the reason for division of labor between economic entities and, in a narrower meaning of the word, between production and consumption, based on specialization of activities in both areas. Producers can now deal with growingly complex, wider and more specialized production and staff in the circulation sphere can secure a smooth and continuous process of goods circulation. The relative independence of the goods circulation sphere thus creates preconditions for better use of its material and financial resources so as to accelerate the circulation of goods, to reduce the quantity of inventories that must be in the circulation sphere, and in order to improve the process of satisfying needs of consumers and other customers. Trade is the main factor of goods

circulation. From the economic point of view, trade is described as a specific activity, the most developed form of goods-monetary relations, and a link between various economic sectors which is focused on the execution of goods circulation. For the purposes of the above-mentioned section, we will understand trade as a complex of all activities that are performed in order to secure purchase and sale, as well as all organizations and business entities dealing with these activities. The main component of trade and the most important distribution channel is retail trade. Retail trade comprises all activities connected with the sale of goods or services directly to end consumers for their personal, non-commercial use. Majority of today's theoreticians dealing with this issue (Levy & Weitz, 2011, Burstiner, 1994, Kotler, 2001) describe retail trade as the last link in the distribution channel which secures the sale of products or services to end consumers for their personal needs. Thanks to a gradual development, many classic retailers developed into large strong companies that internationalized their activities, including the overall securing of logistic processes, and they were named retailing (Čihovská, 2012). Retailing is described as "internationally viewed retail trade fully equipped with the entire logistic background and highly qualified information system with professional management". (Jindra & Pražská, 2002). This understanding of retail trade has just recently emerged in the real-life practice. Retail trade has been long considered as a typical regional component of trade, a small business, comprising thousands of small stores, where one operating unit was often creating the entire business company. Fast development and production of a large number of various consumer goods in advanced western economies after the Second World War, growth of incomes and living standards of population, gradual reduction of natural consumption and relocation of population to cities led to a sharp increase in retail sale which was creating pressure on the development of retail network. The number and capacity of stores were growing. Since 1970-ties, this process of growth of business enterprises was gaining a new qualitative nature – business enterprises no longer grow just thanks to concentrating their own activities, but also through mergers and by expansion of own capital and entry of foreign capital – mainly of financial one. Since 1980-ties, in the environment of growing fierce competition in the European market of consumer goods, concentration of business organizations and also concentration of retail network were growing, which finally led to a reduction in the number of enterprises and operating units in favor of large companies and large-capacity retail and wholesale business units.

Today, retailing companies create 7 to 12% of job opportunities in the national economy of European countries; the most developed economies report above-average figures. According to Euro commerce data, more than 31 million Europeans work in the trade sector. And in the opinion of this institution, trade is one of few economic sectors that are still, even today, actively creating new jobs. In addition to that, the operation of trade provides job opportunities for further millions of people working in supplier companies, from small local suppliers to large logistic companies. The share of internal trade in GDP creation of European countries is somewhere between 10 and 20% (EU average is 11%); the share of internal trade in employment accounts for about 15% in the EU. In Slovakia, trade with its performances is in the fourth place – surpassed by the industry, electricity and gas production, and transport. The share of trade in GDP has a growing trend. While it had 15.2% share in GDP of the Slovak economy in 2010, in 2012 it was as much as 17% and a 15 per cent share in employment. More than one third of operating legal entities and natural persons operates in trade and hospitality structures. According to the data from the Association of Commerce and Tourism of the Slovak Republic (Zväz obchodu a cestovného ruchu SR), more than 31 thousand companies

operate in this sector. The share of business enterprises in the total number of companies is more than 30% in the EU countries and 28% in Slovakia. These figures indicate that trade is becoming an important sector and drive force of economic activities in Slovakia, too.

Modern retailing also has an important role in the area of sale of goods in the market, there by assisting in securing balance between supply and demand, and it also has an important the function of creating cities and towns. The American authors Levy and Weitz point out retailing activities which add value to products and services sold to end consumers for their personal consumption (securing of a wide assortment offer, storage of inventories, provision of services). Moreover, retailing performs the following important functions (Levy & Weitz, 2011):

- Organizing of physical movement of products from producers and wholesalers to final buyers, individual end consumers.
- Allowing buyers to choose and buy goods and making it easier.
- Keeping of product inventories in order to satisfy consumer needs in the long run.
- Bearing the risk of sale and attaining surplus of income over cost.
- Reaching stable and long-time relationship with buyers.
- Marketing support for products that are being sold.

Advanced retailing significantly influences the health of the entire economy. The level of retail, density and quality of retail network, facilities of business units in terms of assortment, diversity of offer, freshness of goods and price levels, the behavior and professional competence of personnel in business establishments and other factors all cause that in the modern society trade contributes to the development of living standards; trade is an active participant in the creation of lifestyle and the way of living, participating in the development of culture and refinement of the society. It helps to educate consumers towards rational consumption, approximating world trends in consumption. Trade, especially retailing activities reflects the economic, sociological, technical, and technological metamorphoses of the society and is a co-creator of these changes. And therefore due attention needs to be paid to trade (Čihovská, 2007).

2.2 The Future of European Retailing

The current developments of European retailing are determined by the growth of international activities of trading companies (internationalization) and interconnection of economic, political, cultural, and organizational relationships between them at a worldwide level (globalization). Internationalization and globalization activities support concentration processes in the area of organizational and operating units of trade, leading to an increasingly smaller number of trading companies; which directly influences the origin of large retail companies (mega retailers) which are gaining their dominant position in the European retail market. Small and medium sized retail companies are not able to compete with global enterprises, and therefore they associate themselves in larger entrepreneurial wholes (cooperation) or focus on a narrow segment of customers (specialization). At the same time, European retailing is undergoing a long-lasting cyclic process of replacement of established sales forms by new formats (wheel-of-retailing).

Internationalization and gradual globalization of European retailing

Internationalization and gradual globalization of European trade can be seen as part of the global economy that is being shaped worldwide. This process, referred to as an expansion of trading companies to foreign countries, was facilitated by a gradual unification of interests and taste of customers in various countries, unification of needs and lifestyles and also of brand preferences (branded goods) mainly among young people. The reason behind the international expansion of European retailing is also a limited nature of small national markets of single European countries both in terms of saturation and anti-monopoly laws that are barrier to further growth of these gigantic enterprises. An important drive force behind the growing internationalization of business enterprises was also a gradual liberalization of trade in EU countries and later on the adoption of single currency, which considerably simplified and facilitated foreign expansion. The extension of sales markets is also supported by "the cost effect" following from the volume and integration of performed operations.

And finally, also the development trends in the area of technology have their progressive impact on the increasing level of internationalization of trade. New communication and information technologies significantly simplify and accelerate the potential for integration of information, planning and control systems of trading companies. The immense internationalization activities of retailing companies result in the deepening of economic, organizational, cultural and political relationships between single companies, which are visible on a worldwide scale. The tangible outcome of the global internationalization is the origin of transnational business corporations, shopping alliances and large retail chains which perceive all foreign markets as one world market where they apply uniform global approach (global marketing). Thus they offer standard assortment and promote the same pricing, distribution and communication policies, which allows them to radically reduce their cost and attain high profits.

Today is European retailing highly internationalized, on average, as much as 38% of their total sales are coming from foreign transactions. Among single European countries, French retailing companies, which make as much as 43% of their sales abroad and operate in 30 countries of the world, report the highest level of internationalization (Deloitte, 2013).

The main reason for the fast and quite wide internationalization is also the fact that Western European retail markets are in their mature stage of development; they are relatively saturated and have considerably limited possibilities for further growth. In the USA, foreign expansion of retail companies started to develop with about 10-year delay compared to Europe. The reason is the vast American market which generates about 40-50% higher annual turnover per capita than Europe.

According to the Global Retail Ranking (2012/Grocery), the most forward-looking retail markets in Europe include Russia, Turkey, but also Albania and Macedonia. The research company AT Kearney ranks them among the most attractive European regions for retail investments. The main reason for their prospective growth is growing incomes and expenditures of consumers in these countries, while expenditures of consumers in EU countries report a falling trend (mainly due to the continuing global economic crisis). Russia is today the fourth largest market in Europe, although with still quite a low saturation (top 5 companies have only about a 15% market share). Local food chains X5 Retail Group, magnet and O'Key ranked among the leading positions in the market. In the past five years, their sales were growing by at least 30% (AT Kerney, 2012).

Concentration, cooperation and specialization of European retailing

Since the 1980-ties, within the depending severe competition in the European market in consumer goods, the concentration of trade organizations (organizational concentration) and also of retail network (operating concentration) was growing sharply, finally leading to the reduction in the number of companies and operating units in the area of trade in favor of large companies and large-capacity business units. Today's European retail market is controlled by large international retail companies. These are highly concentrated and integrated business companies which are concentrating retail, wholesale, warehouses and transport, production of own brands under one management, and they further merge and develop in various countries of the world the so-called buying headquarters which organize group buying of a large quantities of goods from abroad in order to further strengthen their buying potential and negotiating power towards suppliers. Typical representatives of such strong economic entities in today's European market space are mainly: branch chains, companies of department stores, mail order department stores usually operating a whole range of shops and department stores, and consumer cooperatives.

An increase in the number of large-capacity retailers and business operations, development of vertical marketing systems and many mergers and acquisitions in retail led to the creation of a grouping of strong mega-retailers in Europe. By means of developed information systems and strong purchase negotiating power, they can offer a wide and high-quality assortment of goods, high-quality services and advantageous prices for their customers. That allows them to reach fast growth and create strong barriers for entry of potential competition to the market. Thus a narrow circle of large retail companies controls access to an enormous number of customers; that increases their negotiating position towards suppliers and producers (Armstrong & Kotler, 2011).

In spite of the fact that majority of European countries usually observe certain basic limitations to growth of companies (about 16-20% in assortment is deemed a permissible maximum), the organizational concentration in Scandinavian countries, but also in Switzerland and Ireland reach high values. In Denmark, for instance, top five companies in food retailing sector make 84% of the total retail turnover; it is 80% in Norway, 76% in Sweden, more than 70% in Switzerland and Belgium and more than 55% in Ireland. In Slovakia, the level of concentration of top 5 retailers (Tesco, Kaufland, Billa, Lidl, and GG Tabak) already reaches 60%. On the other hand, the lowest level of concentration is in developing markets of Eastern Europe and Poland (22%), Romania (23%), and Ukraine (26%) (Planet Retail, 2011).

The process of business structures concentration had the most significant impact on retail in food, clothes or sports products, on offers in the area of leisure time and culture and on goods for handymen. The three largest Western European markets – Germany, France, and the UK – create 40% of turnover of the entire European retail.

In terms of assortment (sectoral) analysis of European retailing market – the most important and most concentrated European sector is food business, which, in the long run, generates the highest amount of sales among all the other sectors. According to Eurostat, sale of food, beverages and tobacco products accounted for as much as 40% of total retail sales in 2011. Tab. 1 shows that the food market in Europe is controlled by top 5 European retail companies coming from the three largest European markets, namely food retailers from Germany (Metro, Schwarz Group, Rewe Group, Edeka, Aldi), France (Carrefour, Auchan, Leclerc, ITM) and the UK (Tesco). In the year under review, they

generated aggregate turnover of almost €533 billion, i.e. approximately 19% of the aggregate European retail turnover (IGD, 2013).

Tab. 1 Top 10 European retail companies by sales (2011)

Serial No.	Company	Country of origin	European sales in million euros	Global sales in million euros	Number of countries Euro World	Primary retail format
1.	Carrefour	FR	95,984	122,291	11 34	Hyper/supermarkets
2.	Metro Group	DE	63,710	66,963	25 33	Cash&Carry
3.	Schwarz Group	DE	63,562	63,563	25 25	Discount stores
4.	Tesco	UK	58,692	72,197	6 14	Hyper/supermarkets
5.	Rewe Group	DE	48,365	48,365	11 11	Supermarkets
6.	Auchan	FR	45,800	53,956	10 12	Hyper/supermarkets
7.	Edeka	DE	45,643	45,644	1 1	Supermarkets
8.	Aldi	DE	41,523	54,952	15 17	Discount stores
9.	Leclerc	FR	38,296	38,297	7 7	Hyper/supermarkets
10.	ITM Intermarché	FR	31,176	31,177	8 8	Supermarkets
Top 10 % of	European turnover		532,751 18.62%			

Source: own material according to IGD. 2013. Retail Analysis Datacentre. [online]. [cit. 2013-03-17]. Available at <http://goo.gl/JK4KM>.

Among non-food sectors, five sectors occupy the most important place in European retailing, namely: house ware and DIY, drugstore products and cosmetics, consumer electro-technics, clothes, and online sale. Sale of house ware, DIY, cosmetics and consumer electronics is less concentrated and more fragmented into medium-sized companies compared to the food sector. These companies are mainly from three main

European markets (Germany, France, and the UK); the only exception is IKEA, a Swedish company selling a complete assortment for furnishing households.

The clothing sector is dominated by chains of specialized fashion companies such as H&M, Inditex (Zara), C&A, Marks & Spencer and Next. Their success lies in a wide international expansion, affordable prices and fast turnover of goods, which is facilitated by vertical integration of distribution channel (the link between production and retail). Through their expansion, they gradually push out smaller traders in clothes and clothing from centres of large cities. There also emerges a new trend called – a fast fashion strategy. Trading companies such as Zara, H&M, or Marks & Spencer are constantly reducing the life cycle of their products, increasing effectiveness of distribution channel and reaching fast turn of goods in operating units. The diversified chain of Marks & Spencer department stores sells in addition to clothes also food and fast turning goods.

However, online retail is the fastest developing sector in Europe; it has the greatest potential for growth. In 2011, it reached sales in the amount of €200.5 billion, growing by 18.7% yoy. This sector is concentrated in three largest European retail markets whose joint share in online sales represented 71% of total European online turnover in 2011. The largest retail online market in Europe is the UK which reached 12 per cent in total sales of British retailers in the year 2011. German online market had 9 per cent share in total sales of the German retailing and French online market reached 7 per cent share (CRR, 2012). According to the prognoses of the company Forrester, online sales in European countries will grow by 11% on average by the year 2017. The greatest annual increase is expected in Spain (18%) and in Italy (16%) (Forrester, 2013).

Conclusion

Modern trade has a crucial role in the area of marketing of goods, helping to create a balance between supply and demand. Business processes add value to products and services sold to final consumers for their personal needs (securing a wide offer of assortment, storage of inventories, and provision of services). Trade still has the most important position in the economy of European countries. It is one of the largest employers, has a significant part in the creation of gross and net domestic products, contributes to the development of living standards, actively influences lifestyle and the way people live, and participates in the creation of culture and refinement of the society.

European retailing market is typical for new trends which make it an important economic category of an international importance. These trends are, for example: internationalization and gradual globalization of trade, concentration and cooperation of business structures and operating units, specialization, segmentation and diversification of trade, market dominance of trade and development of new forms of sale. International food retail chains from Germany (Metro, Schwarz), France (Carrefour, Auchan) and UK (Tesco) have a leading position in the European market. Top 10 retailers in Europe generated almost €533 billion turnover in 2011, accounting for almost 19 per cent of the European retail market. Three largest European retail markets – Germany, France and UK created together 40% of aggregate turnover of European retail 2011. In terms of assortment specialization, food sector is a long-time leader with around 40% share in the retail turnover in the EU. Online sale is currently the most progressively developing sector. According to the forecasts of Forrester I Eurocommer, sales of the European online retail will grow by 11% per year on average by the year 2017. Large-capacity units

(supermarkets and hypermarkets) will keep their development dynamics; professional self-service stores (IKEA, BAUMAX, and HORNBACH), specialized and closely specialized operating units (clothes, cosmetics) will strengthen their position. The growth of share of discount stores in the overall retail sale and the development of shopping centres, especially in suburbs, will be an important trend.

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Selected Methods for Improving Effectiveness of Distribution Activities¹

Ferdinand Daňo²

Abstract

Product distribution and its ways of realization have great impact on success of the product on the market. Partners who cooperate in the field of distribution are looking for ways to organize their mutual relationships so that they bring benefits to all participating enterprises. The paper points out importance of distribution process effectiveness and application of methods that can foster it. Result of the survey that was carried out among business entities in the Slovak Republic and focused on determining applicability rate of modern distribution and logistics methods and technologies is an overview of quantified contributions enterprises have recorded after their implementation in practice. The results point out considerable gaps in application of the methods with some of them still not having their place in the practice of Slovak enterprises. The most common perceived benefits of application of selected methods used for fostering distribution process effectiveness are increase in delivery speed, more efficient planning and better goods availability.

Key words

distribution, efficient consumer response, logistics, outsourcing, supply chain management

JEL Classification: M32

Introduction

Current development of modern technologies leads to companies' ability to produce high quality products, which are offered on the market. Intensive new product development and their launching make market environment more and more demanding and competitive. Not all manufacturers can deliver their products to all their potential customers; therefore they rely on the help of other business partners – distributors. Companies manufacturing products as well as all other institutions that offer these products on the market or facilitate their delivery face a difficult task to build and maintain structural competitive advantage in long terms and that is sometimes impossible to do by means of new product development by itself. Therefore, they are looking for new sources of increasing their competitiveness. One of the key activities, which are ultimately crucial for business success, is the way they can offer their products to end customers in mutual cooperation, i.e. how they ensure maximum and efficient gratification of customers' needs and demands in time, amount, place and quality terms. Partners cooperating in the field of distribution and logistics, therefore, started to focus on using modern distribution and logistics methods with the goal of increasing effectiveness of distribution processes, which bring significant effects to all stakeholders and contribute to fulfilling overall purpose of

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distribution systems. From this point of view, effectiveness of distribution processes is an important attribute for achieving overall effectiveness of individual participants of distribution processes as well as effectiveness of the whole distribution channel, because it directly affects product's competitiveness. Cooperation, information and innovations are considered to be three main pillars, on which it is possible to build company's competitive advantage.

Manufacturers' tendency to reduce manufacturing costs often makes the place of production more and more distant from the place of consumption. Distribution whose role is to overcome this geographical difference faces a great challenge how to constantly improve effectiveness of processes implemented within distribution activities. Distribution systems have to keep adapting to changing environment, altered marketing goals of a company, new demands of target segments and dynamics of institutions in distribution. As distribution channels have generally got a very complex structure and are used to fulfil many functions, it is not possible to implement optimal organization in practice, thereby using modern distribution and logistics methods is a significant condition to fulfil desirable effectiveness.

1 Methodology

The goal of the paper is to present selected methods which help to increase effectiveness of distribution and logistics processes if implemented properly. To point out the significance and use of these methods in the practice of Slovak business entities we carried out a survey that was primarily focused on determining applicability rate of these methods as well as quantifiable benefits recorded after their implementation. The survey was carried out by electronic interviewing of a sample of more than 700 companies operating in the field of manufacturing and trade of fast-moving consumer goods. To process theoretical basis we used the method of comparison of theoretical approaches to the issues of distribution processes effectiveness, and to process the survey results we used basic mathematical and statistical methods. Data were processed by means of tools offered by portal <http://www.surveymonkey.com> and outputs of the obtained data were then processed in Microsoft Excel Professional 2003.

2 Results and Discussion

2.1 Management and Effectiveness of Distribution Processes

According to Emmet (Emmett, 2005), a growing trend in many industries is the extent and reach of distribution with global trading strategies. Current trend aims at globalization of supply chains. Global management in distribution activities represents the same management practices in all organizational units and adapts management approaches to conditions in different countries. Authors Mentzer, Myers and Stank (Mentzer, Myers & Stank, 2007) emphasize that "globalization infers the movement of goods across borders and the emergence of international competition and opportunities across competing supply chains within an industry. Although it may be true that the complexities of cross-border operations are much greater than within a single country and the ability to compete in the international environment often depends on details which occur only in cross-border trade."

An inherent part of distribution processes are logistics activities whose effective implementation considerably contributes to effectiveness of the whole distribution system. Therefore globalization processes also include logistics. Changes which go with day-to-day business practice in the field of distribution and logistics require the need for managing the whole distribution channel and modern methods used for this field have to be its part.

Distribution processes effectiveness can be looked upon from different points of view; it is not only about traditional economic perception of relationship between costs and revenues. The methods of achieving effectiveness in distribution processes can rely on quantitative and also qualitative indicators. Quantitative perception of effectiveness can be based, for example, on the relationship between distribution channel outputs and resources used for its operation. Qualitative perception of effectiveness can be based on evaluation of gratification of end consumers' expectations, e.g. in relation to delivery speed, product availability, consumer satisfaction.

Morden (1993) defines effectiveness in distribution channel as "maximizing benefits obtained from a certain channel in relation to costs connected to using this channel." According to Christopher and Payne "efficient supply chain system enables achieving lower costs and strengthening the influence on buyer's performance at the same time" (Christopher & Payne 2003). The main goal of every company should be to keep looking for ways to lower overall buyer's costs linked to ownership of goods and to lower its own costs at the same time. According to Kotler and Keller (Kotler & Keller, 2007) producers should regularly assess distributors' performance based on certain criteria, such as reaching sales quotas, average stock level, customer delivery times, damaged and lost goods handling, participation in promotional and educational programs (Kotler & Keller 2007).

Lambert, Stock, Ellram (2005) state that "effectiveness and performance of distribution channel can be increased by using information technologies. For example, by implementing new information system in companies it is possible to achieve following results: increased level of customer service, lower stocks, quicker payment for delivered goods, lower transportation costs, lower storage costs, better cash flow as well as higher return on assets.

Management theory and practice developed several methods by which it is possible to help to increase distribution processes effectiveness. Their application in practice points out particular benefits and fulfils the effort to make products journey throughout the whole distribution channel easier, faster and cheaper.

As mentioned in the introduction, cooperation, information and innovation are basic pillars of successful competitiveness. Following these three pillars we focused our attention mainly on Supply Chain Management (SCM), outsourcing in distribution and logistics, and also Efficient Consumer Response (ECR) and with the related chosen technologies. Furthermore, we carried out a survey whose goal was primarily to determine applicability rate of these methods in the practice of selected Slovak companies and benefits which go with their application.

SCM represents supply chain management and includes coordinated cooperation between all members of supply chain in commodity logistics. SCM has got three main goals, i.e. lowering amounts of inventory, speeding up transactions and information exchange in real time as well as increasing sales by more effective implementation of customer requirements. The advantages of applying SCM for both supplier and buyer are mainly saving costs based on purchase, production and distribution optimization, buyer's inventory reduction, supplier's inventory optimization, faster supplier's response to

unexpected demand increase, better production capacity utilization, lower production costs based on downtime and waste reduction and increased quality and safety level of supplies according to Mervart (2005). In the current global recession purposeful and flexible supply chain management is particularly important. Therefore, in the medium-term horizon a trend toward pull supply chain management is supposed to be considerably stronger. That means production on demand and stock reduction of final products. It can also mean further strengthening and increasing response capability of the whole chain so that companies can quickly respond to demand volatility (Kubát, 2010).

Outsourcing is a strategic organizational tool which means transferring responsibility for a functional area originally operated by internal employees to an external specialized company – provider. Management decides to outsource primarily to focus on the main business function called “core business”. As stated by author Drábik (2013) “global servicing of the markets, modern, budget effective methods of managing logistic processes require narrow specialization of logistics department and increased costs of its operation. Logistics as a business activity is recently more externalized, thus enabling considerable savings and increasing effectiveness of its realization.” Free capacities gained from delegating responsibility for the outsourced area can be concentrated on achieving world class quality standards in the area or cost savings. The reasons for applying outsourcing are limited by the benefits related to the performance of the external company in selected functions, such as the possibility to focus on the core business, reducing fixed costs, increasing quality of provided services thanks to specialization of the outsourcing company in the area, access to innovation without the need for high investments, transferring risks and responsibilities out of the company, increasing flexibility and performance, costs transparency and predictability and unburdening organizational structure. Outsourcing as a strategic management tool can be applied in many parts of logistics chain but mainly in the area of procurement and distribution logistics.

ECR is a mutual initiative of producers and members of supply chains aimed at improving and optimizing the flow of products from producers through logistics and supply chains to end consumers. The primary goal of ECR is to create conditions and techniques for effective cooperation between production and trade with a view to a better saturation of end consumers’ needs. According to German authors Ahlert and Borchert (2000) ECR concept is based on four basic strategies, i.e. effective product replenishment, effective product range, effective promotions and effective new-product launch. Information flows in supply chain play a very important role in ECR. Information in real time provide high quality and valuable basis for efficient management of the whole supply chain. Barcodes and their technological successor – radio frequency identification tags, are largely used to collect information in real time as part of ECR.

According to Drábik from 2011 “decreasing the costs of logistic operation, shortening the time needed for handling the product, elimination of incomplete or wrong deliveries are the conditions that logistics has to ensure in relationship with the customer. Many innovative technologies used in logistics enable logistic companies to offer services on a high level and thereby ensure better competitiveness for their clients. The product being at the right place at the right time, in the correct quantity, quality and with optimized costs is the bottom line while proposing innovation processes within distribution logistics.”

2.2 Using the selected methods in practice of Slovak business entity

In order to determine the level of using the distribution methods in practice of Slovak business entities, we have carried out a survey targeted at businesses, with the goal of finding out the situation in the area of using the distribution methods in practice. In the survey, we also focused on determining whether companies use various methods for increasing effectiveness of distribution when cooperating with their partners. Among the methods that help to increase effectiveness of distribution we have listed outsourcing, ECR, SCM and the related technology of radio-frequency identification of goods - RFID. We used an electronic questionnaire that we distributed to 755 companies working in the area of production and selling of fast-moving consumer goods. We obtained the contact details of the companies from the European databank. However, rate of return for the questionnaire was only about 6%. We processed 30 replies from trading companies (62,5%) and 18 from production companies (37,5%). Most of the companies that participated in the survey were small, with no more than 50 employees (66%).

Based on the results of the survey we found out that more than a half of the companies (52%) do not use these concepts. Only 48% of respondents use this possibility in terms of mutual cooperation with business partners. ECR is the method most used for improving distribution processes and increasing effectiveness. This method is used by 44% of the surveyed companies. Companies also often use outsourcing of logistic services and distribution activities, so they have these services done for them by more experienced external companies. Handing the distribution activities over to an external company is used by nearly 21% of the companies. The third most used method, stated by 15% of the companies, is SCM. An interesting finding of the survey is, that 65% of the companies track the movement of the product to the end consumer. When trying to determine what means they use for identifying and tracking the movement of the product, we found out that the most frequent means is the common barcode. It is still used by 73% of the companies. The new radio-frequency technology, which works based on embedded chips, is used by a very small percentage of the companies. Only one company stated this option. The companies that stated that they use a different option, track the goods by using common classification of industrial fields and products, by marking the order and by GPS satellite tracking of the product movement. Based on the results of the survey, we found out that the product on its way to the end consumer is mostly labelled and tracked on the level of transport packaging; carton and package. This option was marked by 46% of the companies. Labelling on the level of customer goods packaging, i.e. the package in which the end consumer purchases the goods, is used by 35% of the respondents. Then we analyzed the benefit of using methods for improving the effectiveness of distribution. We focused on the level of benefit in the following parameters - sharing information about the market, electronic delivery tracking, speed of delivery, decreasing the number of sold out items, decreasing bound stocks, more effective planning, lowering the costs and better product availability.

The method for increasing distribution effectiveness brings mainly increase in goods delivery speed and makes planning better and more effective. From the respondents' point of view the benefit of the smallest importance is electronic goods tracking and reduction in the number of sold-out items. While determining differences in perception of benefits of methods focused on increasing distribution effectiveness we found out that there are no considerable differences between average rankings of perception of benefits intensity of methods for increasing distribution effectiveness between companies operating in production sphere, companies operating in commercial sphere and companies operating in

both spheres or in services. The smallest differences can be found in the benefit of reducing the number of sold-out items and also better goods availability. The biggest difference can be found in ranking the benefit of methods for reducing costs and bound stock. Companies which operate in both spheres and in services do not consider benefits of methods in these parameters important. We also made use of a verbal rating scale where respondents were supposed to rate how satisfied they are with the level of cooperation in the field of distribution with their partners. The survey showed that companies are mostly satisfied with cooperation with their business partners. Nearly 69% of companies expressed their satisfaction. About 8% of respondents are very satisfied. Almost 20% of companies expressed neutral attitude and only 4% were dissatisfied. The results of the survey focused on organizations operating in the field of production and commerce showed:

- about a half of the responding companies uses different concepts to increase distribution effectiveness,
- companies mostly use ECR method,
- two thirds of companies track goods flow on their way to end consumers,
- three quarters of respondents use barcodes for identification and tracking flow of goods, only one company uses RFID,
- the most recognized benefits of application of selected methods for distribution process effectiveness are increase in delivery speed and more effective planning.

Based on the above we can state that companies operating on Slovak market are noticeably lacking in applying methods enabling effective distribution processes. There is still rather big group of companies which do not track their goods on their way to consumers and thus lose valuable data about customer demand development and flexible response to changes in demand. The result of this can be lower sales volumes and loss of customer loyalty. Advanced techniques of automatic goods identification have not yet been imbedded in Slovak companies even though companies in Western Europe and the USA have recorded enormous quantifiable benefits of this technology.

Conclusion

The paper and survey point out differentiated view on the perception of effectiveness of distribution activities. The differentiation lies in a different view on the level of product availability. Based on findings we can state that there are considerable deficiencies in the field of cooperation between members of distribution channels perceived by end consumers. It is inevitable for individual partners to realize the importance of cooperation while ensuring product availability. Participation in development of supply and distribution strategies, application of innovative distribution methods and technologies will be inevitable condition of maintaining and gaining customer preference. There is a great space for optimization of distribution processes thanks to the possibility of more intensive application of ECR and radio frequency identification which can lead to elimination or reduction of deficiencies in fluency of supplies and can also lead to limitation of undesirable goods flow within the whole distribution chain. In the last years there have also been several successful applications of methods in question. However, the potential of distribution systems improvement hidden in these conceptions has not yet been fully used. In the field of distribution and mainly logistics services we can expect increasing

demand for outsourcing of these services. Therefore, there is a space for research activities focused on the field of distribution management. Detailed characterization of the methods in question and also other innovations in the area of distribution cooperation of subjects involved in a distribution channel, analysis of conditions of implementation of these methods as well as proposal of implementation procedure in a particular company can enrich both management theory and practice.

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The Risks of Currency Substitution: A Case of Montenegro¹

Ján Dráb²

Abstract

This paper deals with the risks of the adapting of a foreign currency as country's legal tender. Giving away its monetary sovereignty, the economy stays fragile when the shocks of business cycle occur. It is visible on a case of Montenegro. In 1996, because of high inflation in Yugoslavia, Montenegro adapted German mark as its currency and it has kept up in the regime of currency substitution even after the introduction of Euro. Its economy experienced high growth of GDP before crisis and deep recession afterwards. This paper uses a theory of optimum currency area as its theoretical background and analyses adjustment to the asymmetrical shocks and a business cycle in case of the country with currency substitution regime.

Key words:

Montenegro, currency substitution, optimum currency area, asymmetrical shock, business cycle

JEL Classification: F33, E32

Introduction

The introduction of German Mark as the Montenegrin currency was a rational step. It was as the conclusion of the hyperinflation of Yugoslavian Dinar as the follow-up of sanction towards then Yugoslavia. German Mark was a safe haven for the country and it improved its competitiveness on the international market. As the problems with hyperinflation in Yugoslavia kept until early 2000's, there was no necessity to adapt own currency.

In 2006, Montenegro declared independence and it has kept the foreign currency (meanwhile it was Euro) as their (not so) legal tender and refused to introduce their own currency.

Since then, it stays in the arrangement of so-called currency substitution. Conditions of the effective realization of this currency arrangement could be easily identified as some risky variation on the optimum currency area. Risky because the regime is not legal and European Central Bank does not take into consideration the economic situation of Montenegrin economy while setting the policy (and vice versa).

So while the peripheral economy of Greece led ECB to significant change of its policy, the problems of Montenegro would probably not significantly concern ECB. Because of that we can call Montenegro Euro-area's super-periphery.

This paper uses a theory of optimum currency area as its theoretical background and analyses adjustment to the asymmetrical shocks and a business cycle in case of the country with currency substitution regime and applies it on the economy of Montenegro.

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1 Methodology

The aim of the paper is to analyze the development of Montenegrin economy with the concern on the fact that country's currency arrangement is the currency substitution. After studying of the theoretical background, the data on the topic (mostly from The Statistical Office of Montenegro and World Bank) were collected and processed by the logical methods of scientific research, namely analysis and synthesis, induction and deduction, statistical methods, comparison and graphical display.

2 Results and Discussion

It is considered as indisputable fact that the Euro-area is not an optimum currency area. The labor mobility is limited, there is vague fiscal union (if considering ESM as sort of fiscal union) and the inflation among single member states differs (what is one of the causes of Spain's current recession).

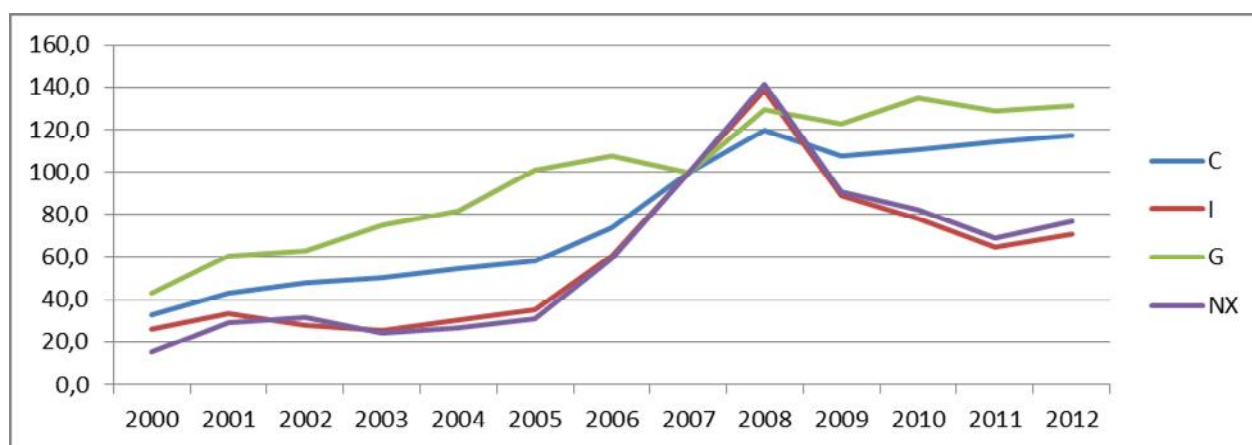
The disadvantage of Montenegro is indisputable as well. It is not a part of European Union (not even Schengen area) so the labor mobility is much more limited, there are no fiscal transfers between European Union and Montenegro (if not counting access funds) and the inflation makes a difference too.

The only thing, from which Montenegro could benefit, was the fact that the most of the country's export led to Euro-currency markets. However the current crisis has changed this situation.

During The Great Recession, Montenegro has been the most severely hit country of the region with -5.7% decline of GDP in 2009. It is 2.2 percentage-points higher slowdown than in the second most depressed economy (Serbia), (Penev, 2012).

If we look at the graph with the development of the components of the GDP of Montenegro more detailed, we can see that while consumption and government's spending didn't deviate from the trend that much, the decline of investment and net exports was severe.

Graph 1 Development of the Components of Montenegrin GDP



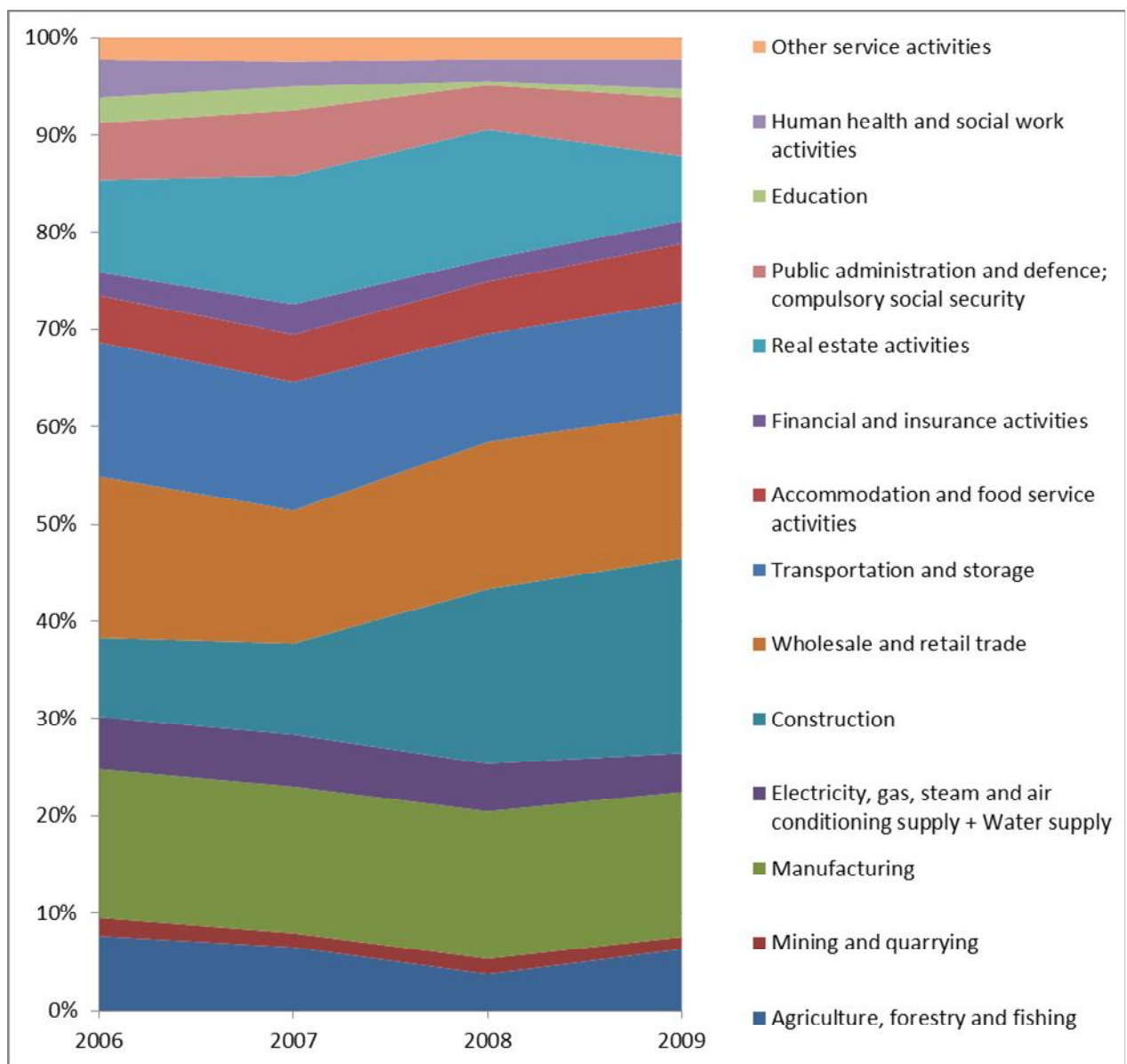
Source: own processing based on <http://knoema.com/UNNAMAD2013/national-accounts-main-aggregates-database-1970-2012>

The question is, what happened that the foreign trade (import and export altogether) has declined that much? One of the answers could be inflation.

Montenegro as not legal member of Euro area is not obliged to comply with Maastricht criteria. It is probably one of main reasons why inflation in Montenegro differs so much from the inflation in the Euro area. For example, in 2008, the inflation in Montenegro was 8.8%.

Similarly as in Spain, it was mostly because of booming construction sector (especially in the sector of tourism). Next graph shows the share of the sectors on GDP in the period from 2006-2009. The rising trend of the share of construction is more than just visible. The development of real estate is also worth of notice, especially its fall after the start of the recession.

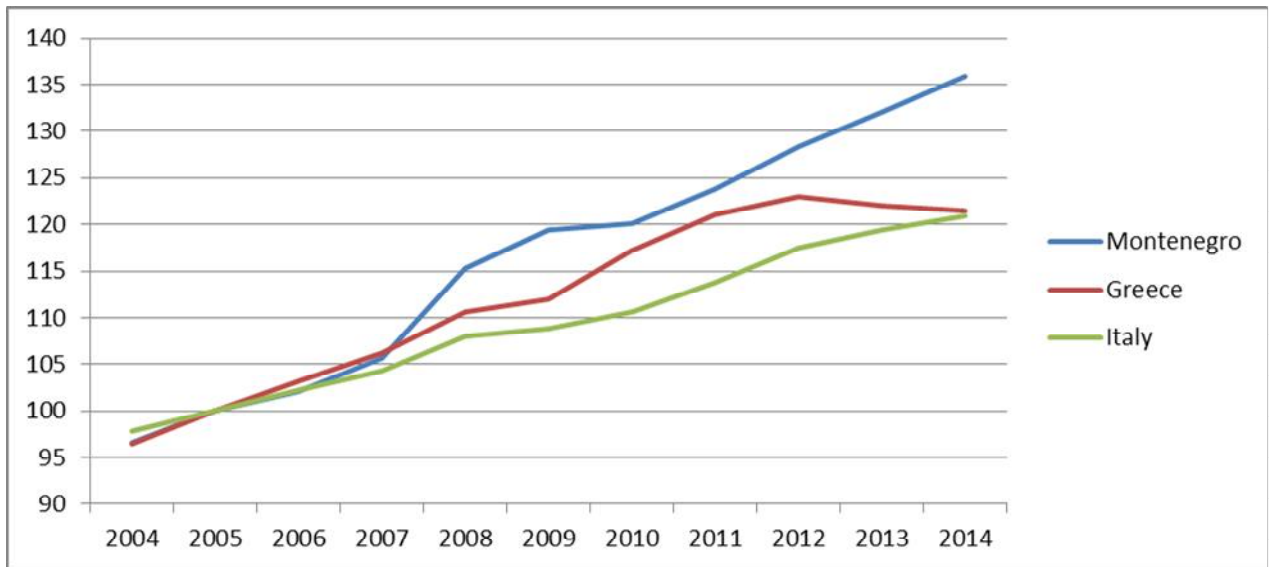
Graph 2 Sectorial Shares on GDP



Source: own processing based on <http://www.monstat.org/cg/page.php?id=166&pageid=19>

Because of that the inflation in Montenegro rose more sharply than inflation in Montenegrin main export territories. Next graph shows the development of price level in Montenegro, Greece and Italy.

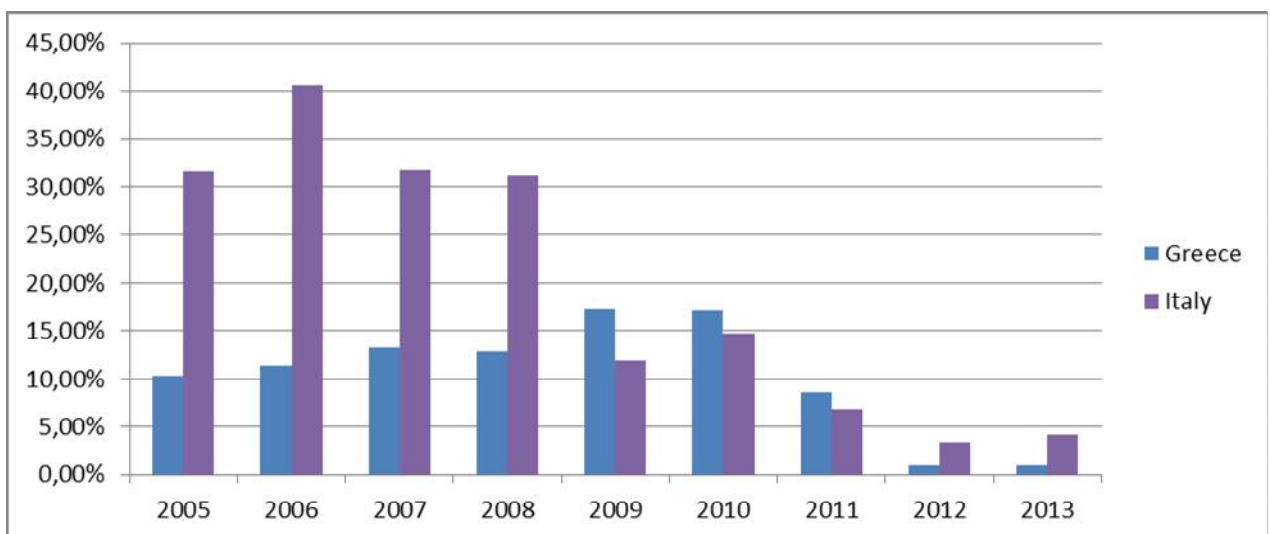
Graph 3 Development of the Price Level in Montenegro, Greece and Italy.



Source: own processing based on <http://knoema.com/IMFWEO2013Apr/world-economic-outlook-april-2013?tsId=1044920>

While until 2007 the development was similar, the inflationary bubble which rose until 2008 drove price level in Montenegro to grow much faster than in Greece and Italy. This was probably one of the main reasons of the on-going decline of the share of these territories on the Montenegrin export. While in 2006, the share of the export to Greece and Italy was 52% of the Montenegrin export; in 2012 it was only something more than 4%.

Graph 4 Share of the Export of Montenegro to Greece and Italy.



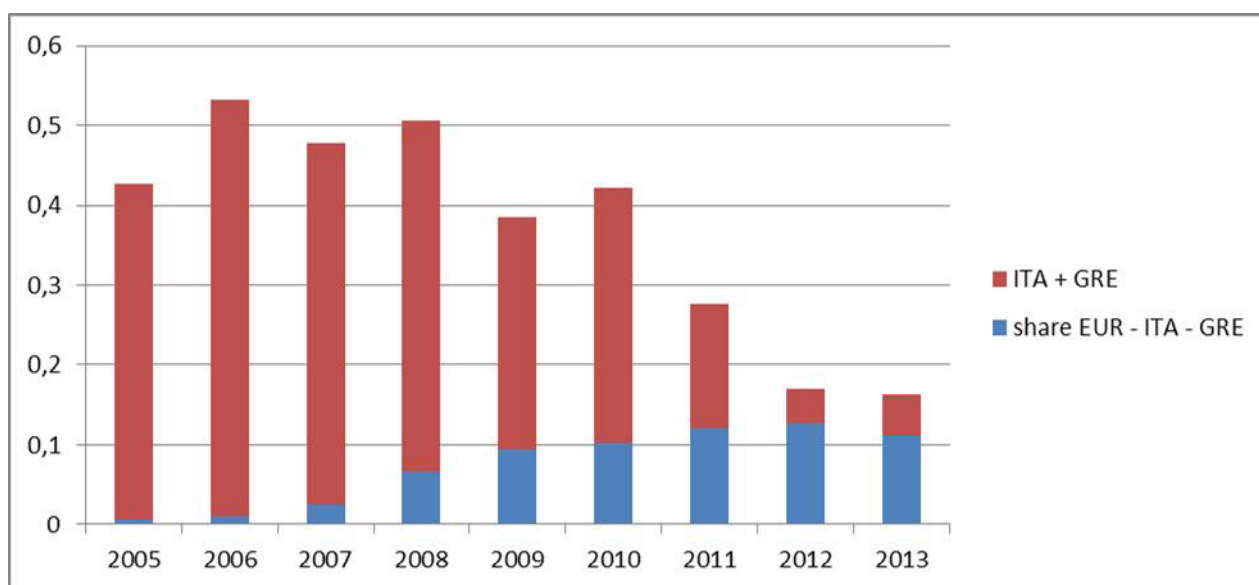
Source: own processing based on <http://www.monstat.org/eng/page.php?id=460&pageid=171>

Another important fact considering sharing the common currency is that it has sense only when the most of the country's foreign trade is the trade with the member states of monetary union (Krugman, 2012).

On the next graph we can see the share of the countries with Euro as a Currency (not the same as Euro-area as it counts Kosovo as well) on the export of Montenegro while the share of Italy and Greece is highlighted.

It is clear that the composition of Montenegrin trade has radically reshaped in past years. While in 2006-2008, the countries with Euro as their currency had significant, approximately 50% share on the exports, now it is almost negligible as in past two years their share was less than 20%.

Graph 5 Shares of Countries with Euro as a Currency on the Montenegrin Exports

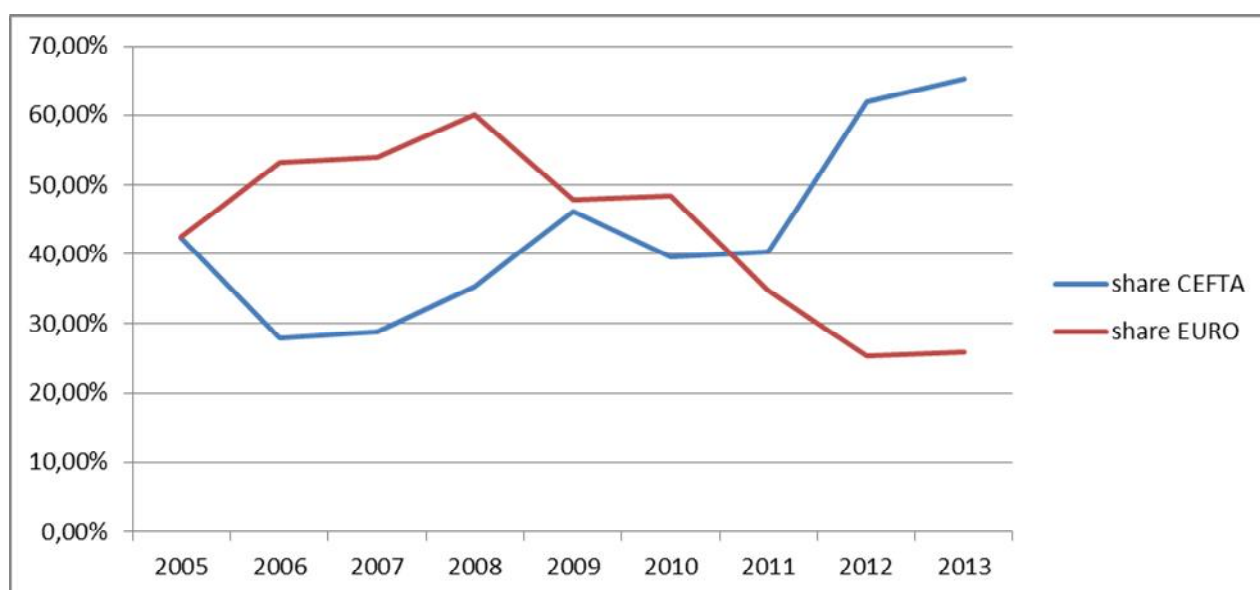


Source: own processing based on <http://www.monstat.org/eng/page.php?id=460&pageid=171>

While in the pre-crisis period, the share of exports to countries with Euro provided logical background for sharing the same currency, the post-crisis development showed how composition of foreign trade can radically change.

After the Great Recession begun, the share of the export changed in favor of CEFTA countries (Serbia, Moldova, Albania, Kosovo, Macedonia, Croatia and Bosnia and Herzegovina) – mostly the traditional trade partners of Montenegro. Their share rose from less than 30% in 2006 and 2007 to more than 65% share in 2013.

Graph 6 Shares of the Countries with Euro and CEFTA Member States



Source: own processing based on <http://www.monstat.org/eng/page.php?id=460&pageid=171>

The mechanism is obvious. Sharing the same currency with no responsibility towards common policy of inflation led Montenegro's price level to rise more sharply than in Euro-area. It disadvantaged Montenegrin exports together with other events (debt crisis in Euro-area, especially in Greece) led to shift in the shares of exports. And the benefits from giving away its monetary policy and using foreign currency has considerably decreased.

The shock on Montenegrin economy is highly asymmetric as in current situation there is a great need for economic policy to offset huge costs of the shock as adjustment mechanisms are much less effective (McKinnon, 2004). But with no monetary policy and low fiscal multiplier – as Montenegro is extremely small and open economy – Montenegro is left with almost no possible effective economic policy.

Conclusion

Currently, there is no real theoretical background for Montenegro's persisting currency substitution. The only argument that survived the end of hyperinflation in Yugoslavia - the share of countries with Euro on foreign trade - has vaporized.

Euro as national currency of Montenegro is now more burden than advantage. Montenegro has vulnerable economy with almost no effective tools of economic policy. Adapting own currency would be probably a wise step, but the costs of that act are now hardly measurable and it is possible that it could lead into even deeper recession.

The only hope is probably only a positive development of the world's economy or a rise of the prices in the export territories (Mundell, 1961). Until then, Montenegro stays fragile with lurking danger of long low inflation or even deflation until the price level adjusts and Montenegro becomes competitive once again.

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New Challenges for the European Union Foreign Trade Policy after Russia's Accession to the WTO¹

Kristína Drieniková²

Abstract

After almost two decades of negotiations, Russia became in August 2012 the member of the World Trade Organization. However, it has become the subject of confrontation and the subject of several trade disputes, also from the EU side. The mutual economic and trade relations with the European Union as the main trading partner of Russia have deteriorated because of the crisis in Ukraine as well. The paper deals with new challenges and perspectives for the EU trade policy in connection with the impact of Russia's accession to the WTO. It focuses on the analysis of mutual trade cooperation, changes in the trade policy of Russia, evaluation of the mutual EU - Russia strategic partnership and outlines the opportunities for its future development. These will depend also on the approach both sides adopt in respect to the new challenges arising in their common neighborhood.

Key words

Russia, EU, WTO, trade policy

JEL Classification: F10, F13, F15

Introduction

The WTO has already become an integral part of EU-Russian relations. It was believed that the Russia's WTO membership will create new possibilities for improving and strengthening relations with its main trading partner and also that will be an impetus to stagnating mutual relations. It should bring potential of pushing for more transparency, predictability and clarity in Russian legislation and regulation, promote the modernization of Russian economy through industrial production and foreign investment increase.

However, according to the EU representatives the effects of and overall experience with Russia as a WTO member is rather disappointing (Freedman, 2014). Russia has not been able or willing to put its trade measures in line with basic WTO obligations and to fulfill its WTO obligations. Seeing that it has continued raising a number of trade obstacles, EU decided to take advantage of the possibility of legal recourses if Russia fails to meet its commitment. The EU accuses Russia of routinely violating global rules – for instance banning European exports such as potatoes, meat, live animals and dairy products and has lodged already two WTO complaints against Russia. At the same time Russia has filed two complaints with the WTO dispute settlement body that target the EU.

Moreover, mutual EU–Russia relations were already strained over the crisis in Ukraine – from the end of the 2013 following the third Eastern Partnership summit failure to sign an association agreement (including the deep and comprehensive trade

¹ VEGA 1/0391/13 „The importance of third countries for the strategic development objectives of the EU in the post-crisis period (with implications for the Slovak economy)“

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agreement) between the EU and Ukraine. It sparked a revolution, followed by political changes in Ukraine and with that it became clear Ukraine would like to integrate with the EU and not to participate in the Eurasian (Russian) integration projects. Besides the free trade area existing between the countries of the Commonwealth of Independent States, Russia, Belarus and Kazakhstan established the Customs Union (CU RBK) and Russia strives for widening and deepening the economic integration efforts in the post-Soviet space. These are among the most important issues affecting the current and future development of EU-Russia strategic partnership.

The aim of the paper is to outline new challenges and perspectives for the European Union trade policy in connection with the impact of Russia's accession to the World Trade Organization.

1 Methodology

The paper focuses on the analysis of mutual trade cooperation, changes in trade policy of Russia relating to its commitments as a WTO member especially in the field of tariff and non-tariff barriers to trade. The author mentions the most significant benefits of for the EU trade policy towards Russia brought by its accession the WTO. However, it seems strategic consequences of Russia's accession to the WTO for the development of strategic EU-Russia partnership have not been sufficiently assessed. At the same time it is hard to evaluate the impact and consequences of the membership on mutual trade relations just two years later considering a lot of other issues of strategic importance influencing the cooperation. The article deals with the evaluation of strategic partnership and outlines the perspectives for its future development.

2 Results and Discussion

Russian president Vladimir Putin in 2000 at the beginning of his presidency, made a major commitment to integrating Russia into the world economy, including a commitment to the WTO membership. However, there were a lot of issues which slowed the process down including poor Russia's business climate, monopolistic or near-monopolistic market position by prominent companies in many sectors, negotiation disputes with some WTO members, as well as public controversy. The goal of negotiations was to ensure appropriate accession terms for the country. It is believed WTO membership will generate more competitive pressure to the whole economy and business climate, strengthen Russia's role as a transparent and predictable global actor. The reduction of tariffs should ensure greater certainty for market participants. The European Union played a difficult role in Russia's WTO accession process. Especially during the negotiations on automotive and aviation engineering, banking and insurance, liberalization of the telecommunications sector, as well as Siberian overflights. The WTO membership should provide for new impetus in mutual trade and economic relations.

2.1 Russia as a member of the WTO and benefits for the EU trade policy

Russia was the last major economy to join the institution. On 22 August 2012, the World Trade Organization welcomed the Russian Federation as its 156th member. Almost two decades of negotiation (accession process lasted over 18 years, only Algeria's negotiation process is taking longer) have resulted in the Russian Federation gaining the

benefits of trading by well-known and enforceable global rules, but also the obligations to trade fairly.

The agreed average binding tariff for all types of goods is 7.8% (brought down from 10%), whereby the average tariff rate on industrial (non-agricultural) products will be reduced from 9.5% to 7.3%. It is considered as a failure of negotiators as it is lower than the proposed level. However, levels of non-agricultural goods tariff protection are higher than in many developed countries (International Trade Centre, 2012). As for agricultural products the average rate for import duty shall be reduced to 10.8 % (from 13.2%).

For more than one third of national tariff lines the final bound rates were implemented on the date of accession, another quarter will be put in place within three years. In the most sensitive sectors Russia negotiated longer transition periods (for example 8 years for agriculture goods (pork), 7 years for automotive (motor cars) and aviation industries (helicopters and civil aircrafts) designed to enable producers to adapt to new conditions (WTO, 2012).

Russia made also extensive market access commitments in trade in services as well – the commitments' depth varies by mode of supply and by sector (116 sectors). In many of these exemptions from non-discrimination regime are provided – from national treatment of from most favoured nation, in some cases additional commitments have been undertaken (International Trade Centre, 2012).

Russia's WTO membership is of great importance for the EU – trade and economic activities on the basis of single principles and rules strengthen mutual trade relations and encourage mutual investments. Among the important benefits for the EU trade policy towards Russia several could be mentioned (Drienikova & Zubalova, 2013):

- Reduction of tariffs. Above all, reduced import duties on cars will be of great importance for the European exporters. Duties on cars imports were reduced from 30% to 25% to the date of accession, next decrease is scheduled in 2016 (to 23%) to the final rate of 15% in 2019. (International Trade Centre, 2012). For certain agricultural goods (beef pork, poultry and some products) tariff rate quotas (TQR) will be applied – that means imports entering the market within the TQR will be subject to lower tariffs.
- In connection with the removal of barriers for foreign investors the Russian market offers potential for investments increase. All measures in the investment field inconsistent with the WTO rules (for instance preferential tariffs applied in relation to the Russian automobile investment programmes) would be eliminated by July 2018;
- New opportunities for European service suppliers in respect to the liberalization in this area – mainly in telecommunication (elimination of foreign equity limitation by 4 years of accession), insurance services (establishment of foreign companies' branches by 9 years of accession), banking sector, distribution and transport services;
- WTO membership should ensure better protection of intellectual property rights in the Russian market;
- By joining the WTO Russia promised to comply with its rules. Future trade disputes with the EU fall under the dispute settlement mechanism of the WTO;
- Russia's membership creates a new impetus for progress in negotiations on a new partnership agreement;

- WTO membership was one of the conditions for the establishment of a free trade zone between the EU and Russia (mentioned already in the PCA), however this intention requires re-evaluation due to the Russia's membership in Customs Union with Belarus and Kazakhstan, as well as Russia's further economic integration initiatives in the post-Soviet space (aim to establish Eurasian Economic Union - EEU).

Although this constitutes significant political and legal obstacles for the realization of the proposed free trade area, some authors claim it is not impossible to put into life. A. Rahr argues that Russia needs free access to the EU market for its products due to modernisation of its economy. And this could be accomplished by means of free trade zone established by the EU and the EEU when it gathers economic strength (Rahr, 2013). During the EU-Russia summit in January 2014 the idea of one of the most important strategic and shared objectives of the relationship – to create a common economic space from Lisbon to Vladivostok – was voiced again as an another way to reinforce mutual trust (Barroso, 2014). The EU offered its neighbour a prospect of free trade in an effort to defuse situation over the EU's attempt to expand its trading relations with some of the post-Soviet countries.

During the bilateral EU-Russia negotiations good outcomes have been achieved for the EU as for clearer rules for agricultural products and foodstuffs exports to Russia; reliable quota regime for wood exports; Russia's guarantee to amend the system of Siberian overflight payments; and Russia's commitment that its tariffs for rail and road transport should not discriminate foreign transporters (Drienikova & Zubalova, 2013). Moreover, EU and Russia negotiated three bilateral agreements with provisions that are beyond the scope of the rules Russia must respect as a WTO member. The agreements concern following areas (European Parliament, 2012):

1. Safeguards for EU car-part makers - agreement on a compensation mechanism which will come in if EU exports of car parts to Russia fall (by 3% a year compared to the 2010 level), as a result of the new Russia's investment regime, Russia will reduce its import duties for EU car parts by a commensurate amount. Russia achieved an exemption from WTO investment rules and may keep domestic content requirements for foreign car-parts producers in place through 2018 in order to stimulate domestic ones.
2. Prior warning of duty hikes for raw materials - Russia will consult and negotiate with the EU at least two months before it plans to increase export duties on certain products which are of strategic importance for the EU economy (e.g. wheat, sunflower seeds, tobacco, energy products, wool, cotton and a large number of earths and minerals).
3. Maritime transport market and work permits for EU business staff - new opportunities to EU maritime transport agencies seeking to set up in Russia as well as preferential access for people working for European service companies who need to work in Russia in order to start a business there.

In general, it is expected that WTO accession will enhance the mutual relations between the EU and Russia, as it should encourage reforms in the Russian economy, strengthen the rule of law and promote business environment reforms. Russia's membership may also affect the WTO itself – the multilateral trading system. According to

O'Neal (2014) Russia as a WTO member (as well as other emerging economies in WTO) could contribute to shaping the evolving institutional framework of global economic governance and may help on balance to keep Russia's economic policies focused on broad trade goals and prevent the Russia, Belarus and Kazakhstan Customs Union (or the expected EEU) from taking on a protectionist character.

According to Feiguine and Solovjova (2014) with the Russia's membership new trends in the internationalisation of its economy could be connected (transformation of international trade principles according to WTO standards). They evaluated the effects of the WTO entrance on the Russian Information and Communication Technologies (ICT) sector. Besides the reduction of custom tariffs (to 4 % after full implementation of commitments) other reforms are to be expected as for the transparency, import licensing, intellectual property rights, government procurement, E-commerce and cross-border-service. However, both negative effects will be connected for instance with disadvantages for internally oriented companies (besides benefits for exporting ones). Accession to the WTO should speed up the progress of Russia's economy internationalization and bring new impulses for the development of the ICT sector (however with unclear consequences).

2.2 EU – Russia economic and trade relations after the WTO accession

Partnership and Cooperation Agreement (PCA), in force since 1997, still conducts mutual political, economic, trade as well as cultural cooperation. However, the PCA is far from reflecting the changes that have affected both Russia and the EU in the new millennium. Due to internal developments in both sides, several provisions of the PCA have become outdated and both partners admitted the PCA to be obsolete. Additionally, the level of bilateral cooperation has been extended beyond the PCA scope. The negotiations on the new agreement were launched in 2008, but no significant progress was reached and the negotiations are stalled.

Moreover, for the sake of the Ukrainian crisis and Russia's role in it the EU decided to suspend talks on a new comprehensive economic and political agreement as a first step in sanctioning Russia for the contested military incursion in Ukraine's Crimea region (Ria Novosti, 2014). Both sides have own and quite different views on the concept of the new agreement, as for the legal basis of the agreement, the institutional framework and the scope and binding nature of the provisions. Whereas the EU advocates a very detailed agreement, Russia favors a framework one, supplemented by other sectoral agreements.

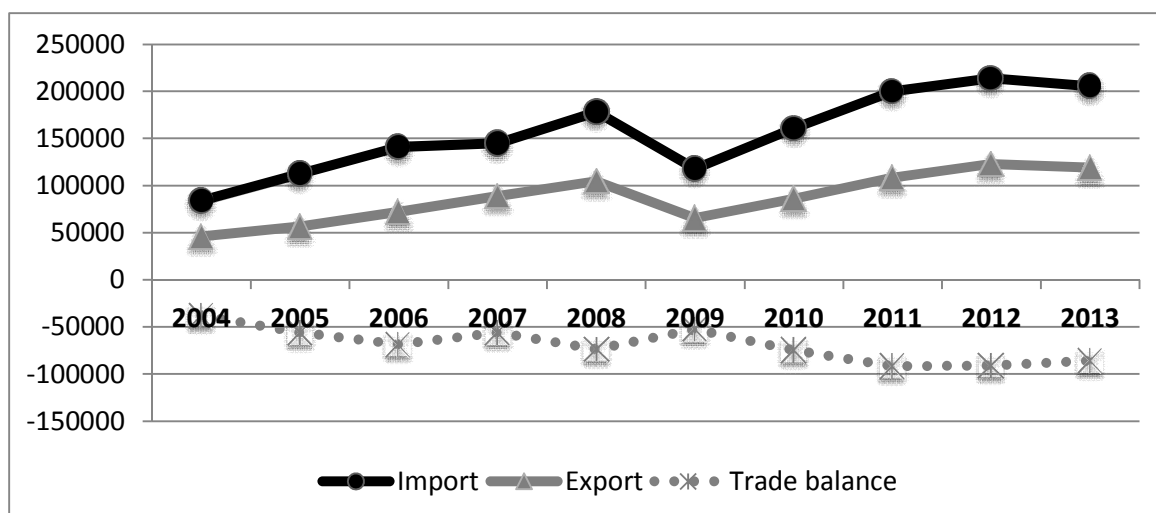
The EU trade policy towards Russia is based on the main premise that the EU and Russia are strategic partners depending on each other in wide range of fields (especially economy, trade, energy, security). However, the development of strategic partnership is stagnating over the past several years due to mutual misunderstandings, conflicts (e.g. as for the common neighbourhood or energy cooperation), different visions. And perhaps the biggest deterioration to mutual relations represents the situation occurred due to the crisis in Ukraine and the contradictory involvement of both partners, the EU and Russia. The EU and Russia compete with each other as for the regional economic integration aims in the post-Soviet space. After eight months of violent unrest, Ukraine on 27 June 2014 has signed the economic part of the association agreement (political part has been signed already in March 2014) with the EU. However, it is difficult to predict the consequences of that on mutual EU-Russia partnership.

In spite of their different views of foreign policy, or the form of cooperation, joint interest of both partners lies in deeper mutual cooperation and economic integration. The accession to the WTO should facilitate the progress of new basic agreement's trade aspects negotiations. The EU tried to negotiate "WTO Plus" regime allowing for a level of liberalization and legal approximation exceeding the requirements of the Russia's WTO commitments. Russia opposes this intention to further steps towards trade and economic liberalisation (Chizov, 2012). Also the EU's intention to include a substantial energy chapter based on the principles of the Energy Charter Treaty (ECT) complicate the negotiations (Van Elsuwege, 2012).

The strategic partnership is based on the cooperation in the so called four Common Spaces and road maps for their implementation which concern external security, internal security, cultural cooperation and economic cooperation which aim is to create an open and integrated market. In this regard, the most important element of the cooperation is the formation of the Common Economic Space. Considering the cooperation has not met the demand both partners in 2010 launched a new framework in form of the Partnership for Modernisation (PfM). This initiative builds on efforts to modernise, to diversify and innovate the Russian economy. There is a huge space for both strategic partners as for the innovative economic development of Russia's economy and the development and convergence processes in the EU countries (Kašťáková, 2012). The framework of PfM provides additional impulse to mutual relations between the EU and Russia and is also accompanied with bilateral modernization partnerships between Russia and already 25 EU member states. However, the PfM also showed the different approaches and visions from both sides. While the EU perceives modernization as new political and economic conditions and institutions, societal changes in Russia – the latter perceives the PfM mainly as an opportunity to acquire access to the European technologies.

Mutual trade relations seem very dynamic, from 2004 to 2012 have grown steadily, reaching record levels in 2012 (Graph 1). EU exports to Russia have risen continuously following a fall during the crisis period of 2009 – from 66 billion euro to a record level of 123 billion euro in 2012. And EU imports from Russia followed the same pattern – from 118 billion in 2009 to 213 euro in 2012. The EU trade balance with Russia is constantly deficit. However, in 2013 exports and imports fell slightly (by 3% and 4%). As a result, the trade deficit also fell slightly from 91 billion in 2012 to 86 billion in 2013.

Graph 1 EU27 trade with Russia (mil. Euro)



Source: Eurostat (2014)

Russia has close economic ties with the EU member states. The EU as a whole accounts for 41% of Russia's foreign trade (BBC, 2014) and thus the most important trading and investment partner. EU is the most important destination for the Russian energy products and the Russian economy still remains highly dependent on oil and gas exports. Russia is the most important single supplier of energy products to the EU, accounts for nearly one third of oil and gas consumption of the EU countries. On the other hand, for the EU Russia is the third most important trading partner after the USA and China. It accounts for almost 7% of EU exports and 12.2% of imports to the EU countries (Eurostat, 2014).

According to N. Kaveshnikov (2013), economic cooperation between the EU and Russia has been dynamic, but of low level of quality. There is much more asymmetry than interdependence between them. In particular, there is a serious unbalance in the commodity composition of mutual trade. The EU exports to Russia are dominated by manufactured goods (more than 80%) – chemicals, food supplies and equipment (machinery and transport) with industrial equipment accounting only to 8% what indicates the slow pace of Russia's economy technological modernization. The main share of EU imports from Russia consists of mineral fuels – crude oil and gas. Energy resources account for three quarters of Russian export to the EU. However, there is also a gap as for the specific economic sectors. Russia exports chemicals and mineral fertilizers – goods with low added value, whereas the EU exports pharmaceuticals and perfumery products.

In the first quarter of 2014, mutual trade dropped considerably regarding strained relations between the EU and Russia, while the EU trade deficit slightly declined. EU imports decreased by over 9 %, whereby EU exports to Russia dropped by 10.5 %, compared with the same period in 2013. The drop is even more significant due to the EU28 data (including Croatia as a new EU member) in 2014 (Euractiv, 2014). In this connection the considered economic sanctions against Russia due to the situation regarding Ukraine (and its trading relations with Russia) will likely hurt both sides and will not contribute to improvement of the already stalled relations.

And as for the economic effects of Russia's WTO membership, these are also yet modest. The membership's anticipated impact shape business decisions and the relations between business and politics.

Even though the initial enthusiasm and positive expectations, the EU is rather disappointed with Russia as a WTO member. Already during the first year of WTO membership the EU took steps against Russia by requesting consultations at the organisation because of Russia's so-called "recycling fee" on imported cars and trucks. On 9th July 2013 the EU launched a challenge towards the fee Russia introduced on 1st September 2012, just 9 days after joining the WTO. Japan responded in the same way by filing a dispute against Russia (on 24th July 2013). Both the EU and Japan argued that the fee which was incompatible with the WTO most basic non-discrimination rule and hampered international trade in key European industry sector. Russia was believed to become more significant export market for the EU in connection with the crisis in euro zone, especially regarding vehicle exports. The imposed fee, however, nullifies the effect of import tariff reduction.

Just 5 months later, Russia lodged its first WTO complaint as a WTO member against the EU regarding European antidumping duties. And it behaved in the same way after the EU filed a second WTO challenge against Russia's ban on imported pork and pig products imposed in January 2014 (European Commission, 2014). At a time of heightened bilateral tensions between them, due both to the Ukrainian crisis, Russia responded in April 2014 by targeting the EU's Third Energy Package. This has become a new stumbling block in

mutual relations seeing that it foresees limits of vertically integrated companies regarding the possession and management of energy transportation networks and prevents a single company (targeting Russia's Gazprom) from both owning and operating a gas distribution network and contains rules on third-party access to the gas transportation grid.

Some observers say the Russia's challenges were tit-for-tat strategy against the EU, others claim both complaints stem from legitimate trade concerns and were initiated because of trade interests of exporters from both trading partners (Freedman, 2014).

The EU trade policy towards Russia is based on the main premise that the EU and Russia are strategic partners depending on each other in wide range of fields (especially economy, trade, energy, security). In spite of their different views of foreign policy, or the form of cooperation, joint interest of both partners lies in deeper mutual cooperation and economic integration. Foreign trade links between the EU and Russia are a key element in their economic and political relations' development and the existing capacity for economic cooperation is far from being fully exploited (Kaveshnikov, 2013).

Conclusion

Both the EU and Russia are aware how important it is to develop their relations due to bilateral economic interdependence (although the asymmetric one). It is expected that Russia's WTO membership will improve relations between them, will deepen mutual cooperation in science, technology, innovations, and will increase mutual investment flows. Moreover it should encourage reforms in the Russian economy, speed up the progress of its internationalization, strengthen the rule of law and encourage entrepreneurship. Also despite mutual disputes and misunderstandings stemming from different views and strained relations, Russia's membership in the WTO should and bring new impulses for the development of strategic partnership between the EU and Russia. However, it assumes that the future development of strategic partnership and the economic and trade cooperation between the EU and Russia will depend also on the approach both sides adopt in respect to the new challenges arising in their common neighbourhood and how will the EU respond to the Russia's Eurasian economic integration ambitions. The WTO disputes in this regard could be viewed as a normal way to target mutual trade concerns between such important trade partners.

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The Concept of Electronic Shop Certification Model in Slovakia¹

Alena Dudeková²

Abstract

This paper describes the current situation in electronic shop certification possibilities in Slovakia. The objective of this paper is to describe our proposed and developed certification model of e-shop, which will contribute to elimination of unfair market practices and the cultivation of market environment. The model is based on the knowledge obtained from the analysis of the e-commerce, current situation and problems related to ensuring consumer protection in an open market environment. There are new traders' challenges concerning consumer's rights and obligations, in particular for e-shops established in foreign countries neighboring with the Slovak Republic. Four basic problem areas were defined based on which the certification model was proposed. The analysis described in this paper is based on qualitative methods of research composed of discussions with experts and questionnaire method. The proposed model of electronic shops certification is intended to enhance the credibility of electronic commerce, and thereby provide an increased consumer protection.

Key words

electronic shop, certification, consumer protection

JEL Classification: M10, O30

Introduction

Global usage of the Internet has increased remarkably in the past few decades (Abdul et al., 2014). The Internet business and also electronic shop has recently witnessed an expansion. According to the information available from Eurostat, the European average number of households with Internet access increases every year. While in 2010 the EU average was 70 %, by 2013 it increased to 79 % (Eurostat, 2012). The figures on the number of individuals who have never used the Internet also decrease from year to year. In 2010, in average there were as many as 27 % of individuals in the EU, as of 2013 this number decreased by 6 % to 21 % (Eurostat, 2013). The Slovak Republic is among those EU countries that see an increase in the number of households with Internet access. While in 2010 the Internet was accessible only in 67 % of households, in 2013 this number increased by 11 % to 78 % (Vlacuha et al., 2012). The downward trend is observed in the indicator "I have neither shopped nor ordered any goods or services". In 2010, 45.3 % of those who surfed the Internet did not purchase any goods or services, in 2013 the number was only 31.8 % (Vlacuha et al., 2013).

The Internet evolution had significantly changed the operations of retail business worldwide (Mandilas et al., 2013). The issue of consumer protection and safe purchase got to the forefront as a result of the growing trends in the area of the Internet and

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Internet commerce in both Slovakia and the EU. Every month new online stores emerge, established by already existing firms to increase their sale opportunities (e-shops) or by new companies which fill the vacant spaces in business. The Internet business is seen as a form of undertaking in which a consumer does not come into direct interaction with the seller. The business relationships are defined under applicable legal rules and acts and every business has got an obligation to comply with these rules. In addition to trade relationships, the legislation also regulates personal data protection, conditions for door — to — door sale and also the obligations of an online business. Consumer trust may be even more important in electronic, “cyber” transactions than it is in traditional, “real world” transactions (Kim et al., 2008). However, from the consumer's perspective and his or her sensational perception, purchases made over the Internet are primarily based on trust, for example, in that the ordered goods will be delivered undamaged, in the quantity ordered, and without any hidden charges, such as additional fees charged for transport and the like. It is exactly the certification of online shops which is regarded as one of the instruments to increase consumer confidence in shopping on the Internet.

1 Methodology

The main sources used during preparation of this article were the achieved secondary data. These were obtained from Slovak companies and local association focusing on the electronic shops theme. Further on the statistical publications and data obtained from foreign certification companies from Poland, the Czech Republic and Germany were used. The achieved information was complemented by experience of experts from Slovak Association for Electronic Commerce.

During processing of data mostly the general scientific methods such as analysis, synthesis, deduction and induction were applied.

The objective of this paper is to present our new developed certification model of Slovak electronic shops, which will contribute to elimination of unfair market practices and the cultivation of market environment.

2 Proposed procedure for electronic shop certification

The certification of online stores in Slovakia is covered mostly by Slovak National Accreditation Service and several other commercial companies. The contribution of our work is based on proposal of new standard in certification procedure based on knowledge and experience of Slovak market as well as foreign certification authorities. Among these were analyzed and interviewed the certification authorities from the Czech Republic — Association of electronic commerce, from Germany the Trusted Shops GmbH TUV SUD — and from Poland the Opineo.pl. The obtained knowledge were deeply analyzed and transferred to our newly developed process of certification applicable within Slovak market.

When designing an actual electronic shop certification process, we have set four basic problem areas:

1. Who can perform certification (an area focused on the legal form of a company which carries out the certification).

2. What is the result of the certification carried out (an area focused on issuing a certificate or an acknowledgement).

3. What criteria are applied to carry out the certification (an area focused on the certification rules).

4. The implementation of an electronic shop certification process (an area focused on the sequence of certification steps).

2.1 Legal form of a company

The first area focuses on the legal form of the company. An entity having legal personality may carry out certification only. Most often it is a limited liability company, a civic association, or a foundation. Each legal entity is registered with the Statistical Office of the Slovak Republic and it is assigned an identification number, the so-called organisation's identification number (IČO).

2.2 Authorization of the certification company

The second area focuses on the authorization of the certification company, which in the certificate's issuance can act as:

a) An accredited body certifying electronic shops accredited by the Slovak National Accreditation Service and which may grant a certificate (Fig.1).

In this case if a certification organisation intends to acquire a certification to issue a certificate, it must be accredited by the Slovak National Accreditation Service (SNAS). SNAS is the only national accreditation body of the Slovak Republic, which fulfils an important role in the national conformity assessment system and supports the required level of product quality, service and consumer protection (SNAS, 2013). The accreditation process is lengthy and complicated, and consists of several steps. After the successful completion the organisation obtains an acknowledgement of accreditation and can perform certification of an electronic shop using its own defined certification rules. Once the rules are satisfied, an electronic shop is granted a certificate.

The benefits arising from the accreditation include in particular:

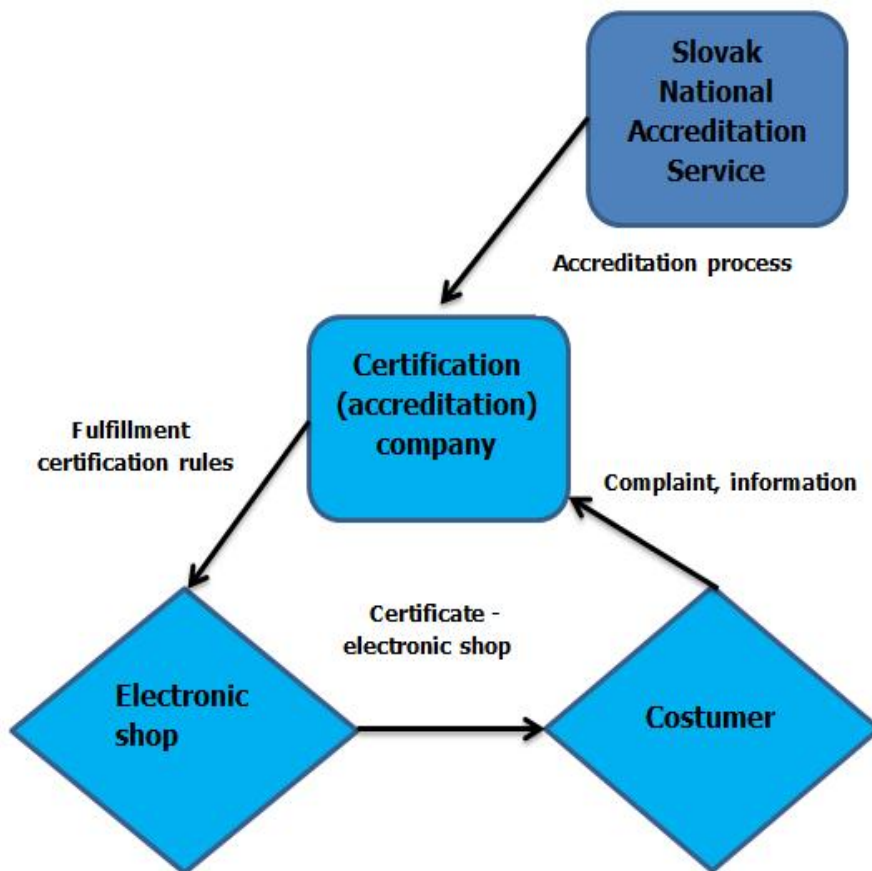
- accreditation by the Slovak National Accreditation Service, which is the only service to fulfil the function of a national accrediting body,
- gaining the possibility to issue a certificate,
- gaining customer confidence in the professionalism and quality of results,
- acquired image of a trusted company,
- gaining competitive advantage in the expert field.

Disadvantages accompanying accreditation:

- costly accreditation process,
- difficult process for the preparation of documentation required for accreditation,
- time-consuming process of obtaining an acknowledgement of accreditation.

Today there is neither Slovak organization, nor association or foundation accredited as the local authority by the Slovak National Accreditation Service with the right to issue the Certificates of the internet shops.

Fig. 1 Interconnection of parties interested in certification



Source: own elaboration

b) A company issuing certificates will issue **an acknowledgement of compliance with the conditions**, based on pre-defined conditions for obtaining a certificate arising from the experience and knowledge in the field (Fig. 2).

The latter alternative for the certification of electronic shops is that a certification company issues an acknowledgement of compliance with the conditions. The certificate can be issued by a legal person, but if the acknowledgement is to have some weight of credibility among consumers, the certification company must be accepted by the market

as a professional and competent authority. This is also the principle how the "Safe Buying" project by the Slovak Association for Electronic Commerce works (SAEC, 2013).

Slovak Association for Electronic Commerce is today one of few organisations in Slovakia, which contributes to development to the topic of electronic shop certification.

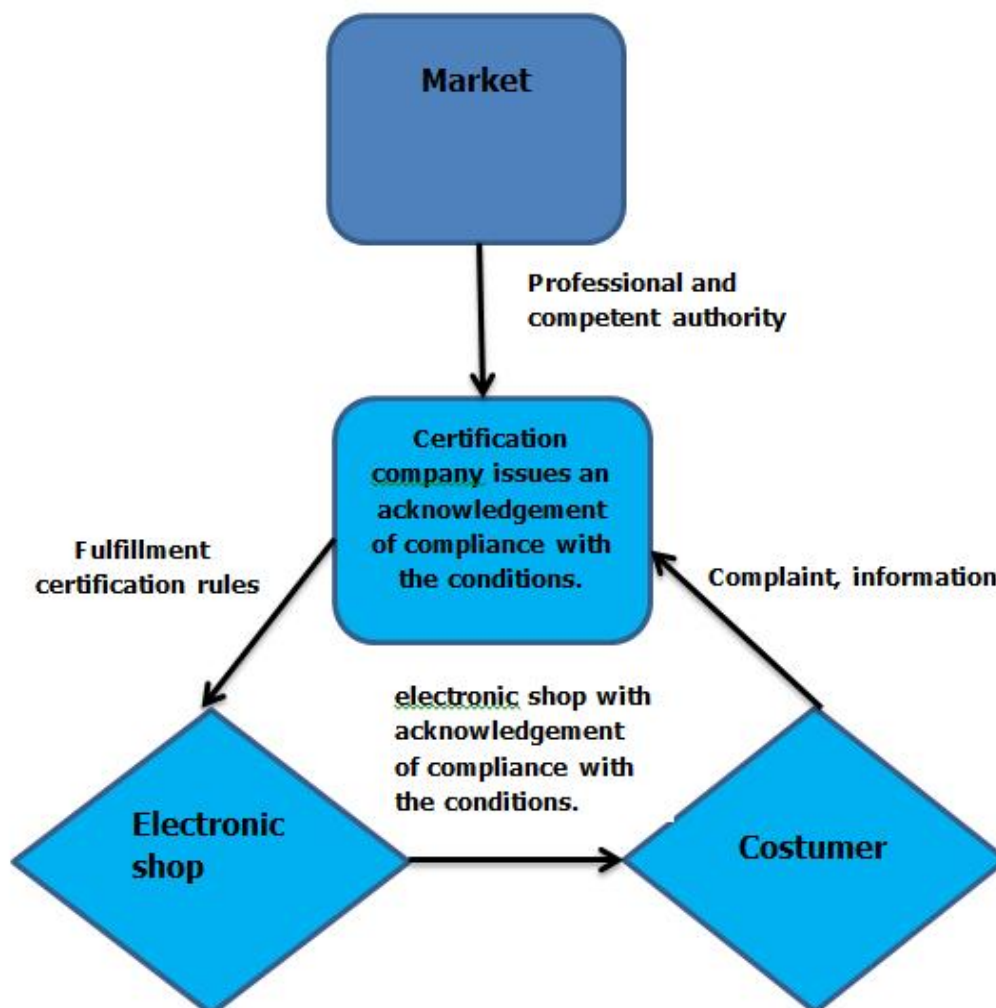
Advantages arising from the issuance of the acknowledgements:

- inexpensive process,
- no documentation is necessary to obtain accreditation.

Disadvantages arising from the issuance of the acknowledgements:

- failure to gain confidence in the market, because acknowledgement will not have the weight of an official document issued by the state authority.

Fig. 2 Interconnection of parties interested in certification



Source: own elaboration

2.3 Certification rules proposal

The third area is devoted to the criteria under which certification is carried out. The above text indicates that a certification company may grant under precisely specified conditions either a certificate or an acknowledgement of compliance with the conditions. In both cases (certificate and acknowledgements), documents are issued on the basis of some established criteria. When designing own certification process electronic shops we took into consideration the fact that the certification body is accredited by SNAS and therefore is authorised to issue the certificates.

In determining the certification rules we used as the basis the existing European as well as Slovak legislation, the knowledge of foreign certification bodies and also some information collected personally. When choosing goods, customer references gathered play an important role too, therefore our certification rules also include consumer evaluation. We divided the rules into two groups:

- The first group comprises the so-called general rules to be met by each electronic shop requesting certification.
- The second group includes the so-called special rules viewed as an extension to the general rules and being specific to the range offered by the electronic shop.

The general rules must be met by each electronic shop requesting certification, while the special rules are intended for a specific range sold, and so they should be fulfilled by those electronic shops which sell the goods. The special rules are not meant to replace the general rules, but only complement them as needed by the products sold.

We defined 9 general rules and we provide their simplified list for the purpose this article. Otherwise, each rule implies a detailed specification of the information required.

1. Supplier information.
2. Information about the order and availability of the goods.
3. Product information (description of the characteristics of the goods).
4. Price information.
5. Personal data protection.
6. Delivery and complaint conditions.
7. Information about warranty conditions and after-sale services.
8. Consumer rating.
9. The possibility of withdrawal.

We have introduced the special rules due to the characteristics of the individual product ranges sold. Each type of product range is covered by different legislation in force. For the purposes of this article, we provide an example of the range of household appliances and set specific certification rules for them.

1. Indication of the product's energy efficiency class.
2. Provision of the information specified on the energy label.

3. Disclosure of the entry number in the register of producers of EEE maintained by the Ministry of Environment of the Slovak Republic.
4. Disclosure of the collective organisation's name.
5. Other information.

2.4 Proposed electronic shop certification process

The last fourth area focuses on the actual process of an electronic shop's certification.

The proposed certification process consists of several steps, the first step being the filing of an application by an internet store for a certificate to be issued by a certifying company, and paying the certification fee.

Upon receipt of the application, the certification company carries out the first check of the applicant. The object of this check is the purchasing process and the information provided to customers. The information provided must be posted on the trader's website posted in a prominent place and within the scope of the certification rules. The form of the first check's execution will be a simulated purchase. A random item is selected from the products offered by the electronic shop and put into the shopping cart, the entire ordering process is gone through.

Each step of the ordering process will be evaluated according to the criteria set out in the certification rules. The check's output is the "Report of identified deficiencies and observations"

This report is sent to the applicant along with the "Conditions for obtaining a certificate" Manual. The Manual includes information about the certification rules and the applicable European and Slovak legislation relating to Internet commerce. The Manual aims to inform the applicant about the certification rules and the applicable legislation in order to make the applicant aware of its rights and obligations under the legislation, because it is often due to ignorance of the legal rules why electronic shops make mistakes.

In the next step of the process the applicant applies the information from the Manual and the Report to its electronic shop. The application is aided with consultations by the certification company. The applicant shall inform the certification company about the successful application which performs a second check. The form of the second check is identical to the form of the first check. The output of the second check is the Report of identified deficiencies and observations.

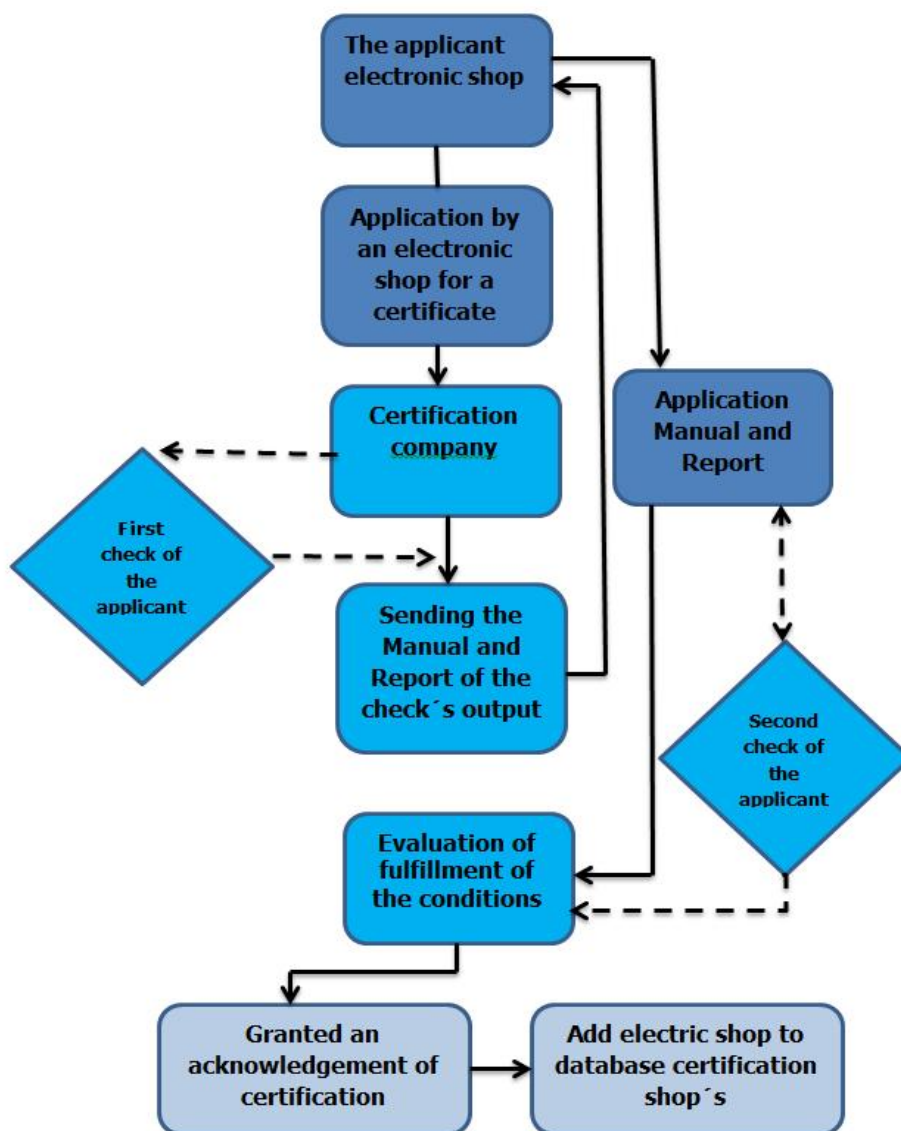
If the results of second check show that certification requirements have been met, the applicant is granted an acknowledgement of certification. If the check's results do not conform to the requirements, the applicant shall be sent the Report of detected deficiencies and observations with the shortcomings to be eliminated. This process is repeated until the results of the checks are in accordance with the specified requirements.

When the second check's results meet certification requirements, the applicant is granted an acknowledgement of certification (a certificate) and can use the certificate's logo on its store's website. At the same time, the electronic shop is added to the database of certified stores. This database is published on the certification company's website and is mainly intended for customers to verify the certification logo's authenticity. The customer

clicks on the logo placed on the website and automatically moves to the database of certified stores. This way the customer can verify the authenticity of the certification company's logo on the website. The objective of creating this database is to prevent the functional use of the certification company's copied logo by the dishonest internet traders.

The certificate granted is valid for one year and random checks are carried out during this period at intervals of at least once in every six months. The check will also cover sending unsolicited commercial information to a recipient's e-mail without his or her consent. If these checks detect a violation of the certification rules, the certified store will be asked to remove them within a period of 14 days. If non-compliance continues, the certificate will be revoked. It is possible to re-gain the certificate after passing the whole certification process. The proposed certification model is illustrated in Fig. 3.

Fig. 3 Proposed electronic shop certification model



Source: own elaboration

Conclusion

At present there are around 5,000 — 5,500 Internet shops in Slovakia, and the numbers are growing. Unlike the classical business, e-business has got one fundamental drawback. Consumers do not get into direct interaction with the seller. This is the conclusion of a contractual relationship, so-called remote commerce without a personal intercourse between the consumer and the seller, because of the high anonymity, such a contractual relationship is a certain risk which may be mitigated by online stores by means of the credibility instruments.

The results of the study - A trust-based consumer decision-making model in electronic commerce (Kim et al., 2008) prove that Internet consumers' trust and perceived risk have strong impacts on their purchasing decisions. Consumer disposition to trust, reputation, privacy concerns, security concerns, the information quality of the Website, and the company's reputation, have strong effects on Internet consumers' trust in the Website.

Our proposed certification process consists of individual consecutive steps. To obtain a certificate (or an acknowledgement) an electronic shop must implement and maintain certification rules set by us. The variety of products being sold is highly differentiated, therefore, in addition to the general certification rules to be implemented and applied by all in the same manner, we have also proposed special rules, carefully targeted to a specific product range. The proposed model is intended to contribute to enhancing the credibility of electronic shops in Slovakia.

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An Educated Consumer – Selfconfident and Responsible¹

Mária Dzurová² – Marína Korčoková³ – Barbora Paholková⁴

Abstract

The right to information, the right to consumer education and consumer education are the fundamental rights of consumers. Education enables consumers to adopt the right attitude towards life in a consumer society. Informed and educated consumers are more able to decide about their purchases as well as to defend and protect themselves and their rights. Acquired knowledge is the basis of the administrative and economic decision-making in consumer purchases. EU Consumer Policy underlines the need for lifelong learning of consumers. The development of information technologies has changed the business relations in the market and has been reflected also in aggressive commercial practices.

Key words

consumer, policy, education, educated consumer

JEL Classification: A2, M31

Introduction

European Union consumer policy pays as much attention as other policies. The consumer program for 2014-2020 aims to help consumers to enforce their rights and actively participate in the single market. The consumers program budget in 2020 is € 188.8 million, which means that each consumer's contribution to the EU is of 5 cents per year. The consumer program is focused on four main areas: *security, information and consumer awareness, consumer rights and effective compensation, strengthening law enforcement across borders* (EU, 2008).

However, one of the objectives of the awareness and consumer awareness leads to the need to focus on the area of consumer's information and education. The reason for routing this program is the discrimination of "vulnerable" consumers when shopping online, the provision of various services, lack of education in the field of consumer law, general awareness, and the complexity of the market environment. The consumers are therefore unable to actively protect their economic interests because the market dynamics, the development of information and communication technologies lead to changes in market relations and ferocity in some areas. The lack of education, skills in using information and communication technology causes many problems for consumers. Some segments of consumers - for example, the elderly, children are threatened by marketing tools, not able to judge and recognize tactics and aggressive commercial

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practices. They are an easy target for rogue traders. In line with the objectives of the Program, is the need to raise awareness, education, and consumer protection in the European environment, hence Slovakia, and focus on timely and quality education and lifelong learning by consumers.

1 Methodology

The aim of this paper is to characterize consumer policy and education in the context in European Union and Slovakia focused on genesis of consumer education and lifelong learning consumer education and responsible consumer. The partial goal of this paper was to realize a theoretical research of information published in national and international scientific papers and other sources. Apart from the theoretical analysis of documents, we applied also scientific methods such as analysis and synthesis, analogy, abstraction, induction and deduction.

2 Results and Discussion

2.1 Consumer policy and education

In recent years, the consumer policy ensures a high level of protection in many areas for consumers. In addition to the directive on general product safety, which was adopted in 1992, there are also effective measures related to toys, personal protective equipment, electrical appliances, cosmetics, pharmaceuticals, machinery and recreational craft. Consumer policy and consumer protection are based on knowledge and information. The consumer's right to information on consumer literacy and consumer education is the fundamental right of every consumer.

The EU made the consumer education part of the general objective for consumer protection by the Treaty of Amsterdam in 1997 (EU, 1997). Thus, consumer education is a legal right of European consumers to be fulfilled jointly by the European Community and the Member States (Goldsmith and Piscopo, 2013).

The important instruments to pay attention to are: consumer education, consumer protection and consumer organizations. When it comes to consumer education, school and after-school system, which provide basic education in the country, it includes a variety of media that can educate and inform. We include here as well the consumer education via the electronic learning system (called Dolceta was replaced Consumer portal Classroom, for teachers, finally, market analysis - that product information for consumers). The consumer education within the school system, countries need to establish and define the institutional support education, create conditions for education and provide essential information to the consumer, create a system of information security training and information (warning information systems).

As described by Fischer (2011), one measure adopted to advance Europeanization and sustainability of consumer education was the setting up of multinational networks that received funding from the EU primarily "to stimulate debate among European consumer educators and develop consumer education materials". It was recognized that consumer education practices and policies in Europe suffered from fragmentation. Therefore,

„mutually agreed outcomes of consumer learning could be an important next step towards a policy space for a sustainable consumer education in Europe“ (Fischer, 2011).

Consumer education is gaining knowledge in the field of consumer rights, market intelligence, behaviour and actions of the individual entities. Acquired knowledge helps to decide on the correct and economical while shopping. An informed consumer will consider the impact of marketing, advertising on purchasing decisions. Knowledge and information are important in deciding, choosing ways of protecting against aggressive and unfair marketing practices.

The consumer has a disadvantageous position in the consumer market relations. The reason is the lack of education, information, lack of knowledge of basic consumer rights. Education can be considered as the basis for a proper attitude to life in a consumer society. Educated and informed consumers can make proper purchase decisions, defend their rights and become sovereign consumers. Education will allow consumers to control information about goods and services that are aware of the values associated with the consumption and use their knowledge to change their consumption behaviour. In the consumer education it is essential for the state to have the support and cooperation with consumer organizations.

2.2 Education and consumer education

Education develops skills, attitudes and knowledge. It leads to individual consumers' decisions in accordance with the values, needs and desires. Consumer education is a deeper understanding of the structures, systems and internal processes within the market. Consumers need information and education to cope with and manage their finances and to make their consumption decisions more rational. *Consumer education is a way to balance the power between producers and consumers.* Consumers through consumer education receive factual and practical competence to use the information and skills which rule their life. Consumer education alone cannot handle all the risks of the market.

The relationship between consumer protection and consumer education requires the definition of some basic terms. Complete protection regulation will lead consumers in the market to do to acquire basic information on protection and market assessed commodity, price, quality, communication policy aspects merchants. *Consumer education can be reduced to the role to gain knowledge of what the market is and why it is so.* Weak consumer protection cause risks to the consumer.

Consumer education will understand the relationship between producers and suppliers, buyers and consumers. Understanding the interaction, consumers can realize the consequences of their own consumption and the impact on the national economy.

Steffens (1994) defines the consumer education as follows: *"qualification relating to consumer supervisory role of citizens in the life situations, aiming to promote the development of legal capacity, assistance in the development life attitudes economically, socially and environmentally affected, to decide."*

General objectives of education and consumer education are the following:

- receive education,
- acquire competences for lifelong learning, social competences and civic competences, entrepreneurial skills and cultural competences,

- identify and analyze problems and propose solutions and know how to deal with them,
- develop skills, abilities, current knowledge in areas related to education or downstream with the current requirements of the labour market,
- strengthen respect for cultural and national values and traditions,
- acquire and strengthen respect for human rights and fundamental freedoms and the principles laid down in the Convention for the Protection of Human Rights and Fundamental Freedoms,
- develop and cultivate their personality, become lifelong learners,
- control and regulate their behaviour, take care and protect their health, including healthy eating habits and the environment and to respect universal human ethical values (UPVS, 2011).

Consumer education is needed from birth and affects consumers and its relation to consumption. Consumer education is changing consumer attitudes. And to understand the possible alternatives, know the laws of protection, understand the economic environment and market instruments. The main mission of the education, respectively consumer education is the responsibility of the consumer.

Steffens (1994) does not distinguish between these two concepts, because "under consumer training and consumer education qualifications", he understands covering the Consumer supervisory role of citizens in the life situations, aiming to promote the development of legal capacity, assistance in the development of life attitudes and decisions in economically, socially and environmentally affected areas. "Consumer education is published in its final analysis of consumer behaviour. Steffens distinguishes three aspects of consumer education, which are: *the value of money, consumer rights and the power and value of the environment*.

Mráziková (2009) states: "Hraško admits commonality of views in this area. According to Hraško the general meaning is consumer training, while consumer education is understood in a specific form. The aim of consumer education efforts is a responsible consumer".

2.3 Objectives of consumer education

For consumers, the purpose of education is that consumers need to live: the rights and obligations of consumers, troubleshooting consumer, compliance laws, personal finance and the use of financial services, the consequences of consumption on the environment and its protection, health and healthy lifestyle. It should lead to consumer literacy who realize their own actions and liability market, including responsibility for their own health in real lifestyle.

The main objective of consumer education is to achieve the right decisions in difficult market relations. Not only to learn to be consumers in a market society, but to prepare for and adapt to future economic, cultural and social changes in the society. "*The role of consumer education is to achieve, sovereign and responsible human behaviour towards social, cultural and ecological environment*" (Stašenková, 2006).

The goal of consumer education is to provide consumers with the knowledge and skills to be able to independently and responsibly pursue activities in an increasingly complex market. The role of consumer education is to achieve sovereign and responsible

human behaviour in the social, economic, political, cultural and ecological environment (Stašenková, 2006).

The state's legal framework protects consumers against fraud, damage, health hazards, against dangerous goods. The legal framework is the basis of state consumer policy. Consumer education is the daily life, the problems associated with buying goods and services on how to resolve problems. The consumer needs to understand the mechanisms of the market, know the economic and environmental effects of consumption, which are usually perceived and considered separately. The living standard requires improved education at all levels, from early childhood to lifelong learning. "Consumer education should start teaching offers specially adapted because of the growing need for information - a critical consciousness, social and economic responsibility in terms of sustainable consumption, rights and obligations, well-thought-out decisions and act flavours, and all the awareness and promote their interests, as a general consumer interests of individuals or entire groups (Steffens, 2006).

According to Stašenková (2006) education allows consumers to:

- find their place in a complicated, market-oriented society,
- handle and manage resources efficiently as well as their own finances,
- exercise their rights and obligations,
- resist advertising, commercial persuasion and manipulation,
- evaluate the consequences of their lifestyle on the environment,
- choose a diet that is good for health and nature,
- find information relevant to the safety of products and services.

As described by Lattová (2011), the main objective of consumer education is to provide consumers with knowledge within consumer behaviour and teach them to apply them in practice, especially in areas such as:

- the rights and obligations of consumers,
- the consumer society,
- problem solving and autonomy at the time of product selection,
- best ways to use products,
- compliance with laws,
- usage of personal finance and financial services,
- the impact of consumption on the environment and its protection,
- healthy lifestyle,
- revival of cultural property.

Consumer education is the basis of the value of education; it includes targeted clarification and resolution values, the freedom of choice in lifelong learning with regard to product safety, health, lifestyle and environment, with regard to disease prevention, health promotion and survival to old age. Consumer education teaches consumers to find their place in difficult market relations, the economic dispose of his available resources, their rights and also their duties, or to assess the impact of their behaviour on the environment.

UN Directive, the objective of consumer education is as follows: "*Education of consumers able to make an informed choice of goods and services and which have a good knowledge of their rights and obligations*" (Mráziková, 2009).

Previous concepts of consumer education were based on the needs and resources of microeconomic households. In these days, in consumer education the emphasis is on the

interaction of consumer decisions driven by individuals, society and the economy in a controlled environment with shared values. Consumer education is the basis of the value of education and the awareness includes clarification and resolution of values.

2.4 The genesis of consumer education

Education's purpose is to educate responsible and rational consumer by providing knowledge and skills. The consumers should be able to and active dealing with organizations of producers and traders and defend their interests when they are outnumbered. The European environment is the basis of consumer education built since 1981, when the European Community adopted and defined the principles of education in schools. In 1985, began training at primary and secondary schools is decided on adult education, including information on lifelong learning. Consumer education has become part of the objectives aimed at protecting education. Education in the eighties and nineties was focused on quality of life and the environment, consumerism period, later adding environmental responsibility, long-term sustainable consumption.

Education is fundamental in shaping consumer awareness. Consumer education actually has its beginnings in the family in the form of basic access to shopping, and the need for identifying, recovering and meeting the needs of purchase. Education starts in kindergarten, throughout the study and continues into adulthood and retirement, for example, the University of the Third Age – a person is a consumer at any age.

The right to consumer education of all citizens of the European Union is enshrined in the Treaty of Amsterdam in 1999. The European Union and the United Nations includes consumer education into existing courses. Consumer education is part of various courses such as home economics, social studies, languages, mathematics and so on.

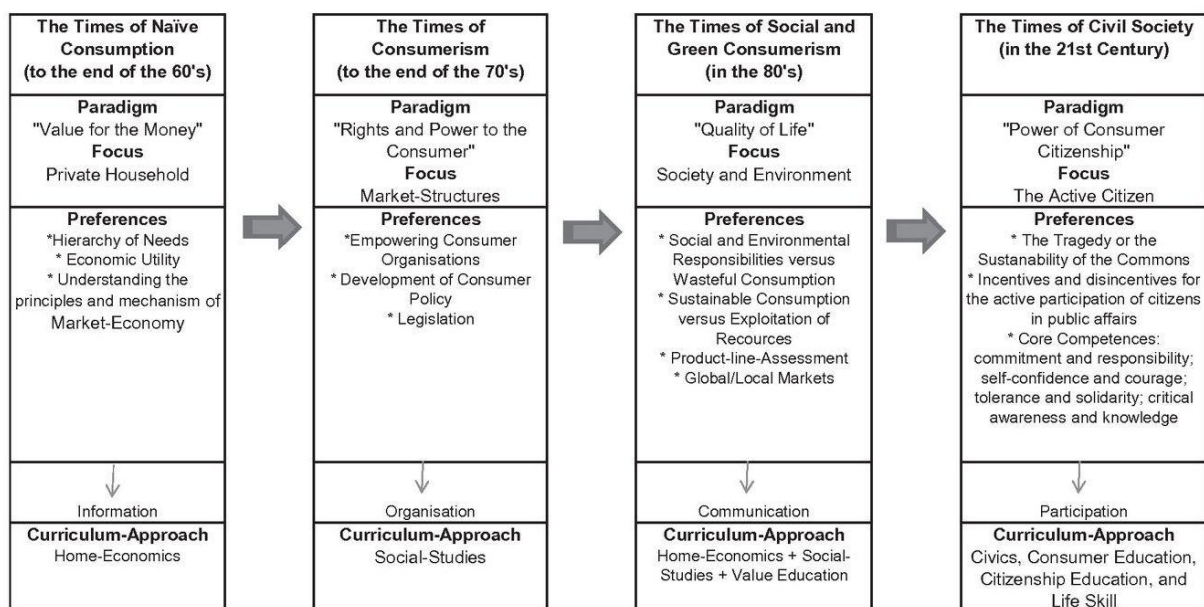
Steffens (2006) divided consumer education into three main periods: The first of them bounded by the end of the 60s was characterized as "naive period consumption". The main idea is "value for money." Preferred topics were: private household, economic usefulness, hierarchy of needs and the principles of a national market economy. The second period called "consumerism period" lasted approximately until the end of the 70s. The main idea of this period is "the right and power to the consumer." Priority is given to topics such as: consumer empowerment, formation of consumer organizations, and development of consumer policy legislation. The third period, entitled "The period of social and ecological consumerism", has been associated with the 80's and 90's. The main ideas were "quality of life" and "Society and Environment". The preferred themes have become social and ecological responsibility, long-term sustainable consumption, product cycle and its evaluation.

In the 21st century, an interesting idea focused on consumer citizenship and the active citizen. In line with the objectives of the EU are the bases for sustainability education, active consumer in public affairs. This implies the ability to address consumer issues, to be active, informed and educated. It is the responsibility and obligation to have sufficient self-confidence and initiative, to have critical thinking. The basis for the "civil" Consumer awareness is to create conditions; activities for the association of such consumers who are actively speak to institutions, merchants, the central authorities. Genesis of consumer education is shown in Figure 1.

In the past, the content of consumer's education was oriented on the homemaking, money orientation, then the consumer rights, from the propensity to consume to ecological responsibility. Consumer education program responded in its evolution to current social events in various countries, to the crisis, unemployment, the need for economical use of natural resources, increasing consumption of young people in family consumption, the social differentiation in terms of different income, education and ethnicity. Other reasons for consumer education are the active marketing impact of advertising media and information technology. The current trends in consumer education are focused on creating a better quality of life and emphasize environmental protection.

"Consumer education and consumer education means a qualification relating to consumer supervisory role of citizens in the life situations, aiming to promote the development of legal capacity, assistance in the development life attitudes economically, socially and environmentally affected, to decide" (Steffens, 2006).

Fig. 1: Genesis of consumer education



Source: OECD. (2009) *Promoting Consumer Education: Trends, Policies and Good Practices*. http://www.oecd.org/document/47/0,3343,en_2649_34267_42279215_1_1_1_1,00.html

Learning must create the conditions to define the organization, rules, objectives, structure and competence. Dzurová et. al. (2011) relies on four basic principles of consumer education:

- "the prudent relation to the values of human labour and natural values,
- principles of comprehensive understanding of the world and of the human impact on the environment,
- principles of communicative and joint search for a consensus in the conditions of market economy,
- the principle of an active and practical approach to solving consumer problems".

Consumer education can be formalized - courses in schools, informal form - for example, in workplaces, in families. According to the OECD (2009) include the following types of training:

- *formal education and informal learning* - the process of organizing an educational institution, ends in obtaining a certificate or in extracurricular activities (different rings) and adults through NGOs,
- *lifelong learning* - acquiring knowledge of the consumer education throughout life,
- *target training* - for specific groups of consumers (etc. children, elderly), specific consumer problems and solutions (OECD, 2009).

Consumer education occurs in two forms - formal education in schools of all levels and non-formal education of students in extracurricular activities (different activities) and adults through NGOs.

Formal education

The aim of consumer education is the personal growth of a person, the consistency of thinking, feeling, behaviour and actions towards each other, other people and nature. Achieving this goal requires thoughtful and coordinated training system from kindergarten and integration of all factors that are involved in education. Formal education is an activity conducive to the achievement of traditional school or a university qualification, which may be part of the National Qualifications Framework.

The National Qualifications Framework, a tool to bridge the EQF reference levels to the levels of the national education system, is the following (NUCZV, 2014):

- tool for comparison and recognition of qualifications acquired in education and training, from basic to top,
- the link between education, training and employment (better application needs and requirements of practice),
- span – creating a connection between schools (formal) and other (non-formal learning) allows the achievement of qualifications and institutions outside the school education system - validation system.

The structures of NQF are knowledge, skills, competences and link to the relevant levels of the system of formal education. The Qualifications Framework consists of eight levels of education: the first stage of primary school, the second stage of primary school, final exam, graduation exam on secondary school, graduation exam, bachelor's studies, master/engineering studies, doctoral studies. And for each level are defined skills, knowledge, competencies (Processed by NQF, 2014).

Consumer education in addition to obtaining information provides practical life skills for the good decisions of students. To use their consumer rights, know their responsibilities as a consumer and know their ability to influence the economy in their favour. Consumer education can in many cases be encouraged to learn independently, to search for values to promote health, well-being, family and social life and the protection of the environment.

Consumer education *is a lifelong process*, but its focus is in education in schools. First experiences are acquired at home in the circle of families. However, an important place belongs to the kindergarten. There is already a need to start that training. Consumer awareness is then formed substantially in primary school and thus forms an important foundation for adult education consumers. Consumer education in secondary and higher

education depends on the type of school. In our school system, consumer education is not in place as a separate subject, but there is integration into existing curricula.

The basis of consumer education is primary school. During the primary school, the child learns the most. They learn the most basic things for their existence and literacy, writing, reading, counting, learns how the world works, nature and all life. Students have to acquire the skills and attitudes with plenty of room for decision and action. Students can find specific solutions to real consumer problems.

School recognizes the reasons for consumer behaviour of students and provide them with positive oriented values and goals. Shaping students as consumers plays an important role, in particular parents and surroundings. Therefore the cooperation of parents and teachers is essential - parents should participate in all the activities that the school organizes in the context of consumer education. The cooperation with various governmental and civic associations to protect consumers in the form of lectures, discussions and debates, in which pupils can learn and a lot to learn, has its huge importance. Today it is not enough only economic consumer's education. More important is to highlight the effects of human consumption, which is linked to the issue of quality of life and well-being of man and the whole society.

And to achieve social and environmental objectives of society development, we need informed, educated and critical consumers whose education should begin in the families and continue at school.

Informal education

Non-formal learning in adult education in consumer issues means you can share experiences between adults who can learn something from each other. This training addresses CEAN project, which is carried out through conferences, meetings, various manuals, newsletters etc. The main product of the project is a consumer guide for adult education - the authors are Sue Bailey and Mike Kitson. The manual is intended for all those who want to take advantage of consumer skills and life experiences of university teacher's practitioners' in consumer education. The guide provides access to adult education and is designed to the four themes - Citizenship, Health, Personal Finance and Sustainable Consumption. All forms of consumer education are conducted through certain institutions. In Slovakia there are several.

The main areas of consumer education are personal finance, rights and obligations, advertising and persuasion, food and healthy lifestyle, consumption and the environment and safety:

1. *Personal Finance* – know how to manage its own finances, to compare the price, quality products and services, use of information systems, the payment methods, regulations for the protection of information and personal data, to distinguish between the basic types of taxes.
2. *Rights and obligations* - know the content of the laws and standards related to the protection of consumer rights, the rules of concluding contracts and agreements, the use of consumer advice, the state and civil society organizations to protect consumers and engage them in asserting their rights in a socially acceptable way.
3. *Advertising and persuading* - able to critically assess advertisement, know the laws and regulations governing advertising, know their role as the object of marketing deals in the context of commercial persuading.

4. *Food and healthy nutrition* - learn healthy eating habits, know the rules of hygiene and food storage, to know the context of nutrition, food quality and lifestyle diseases.
5. *Consumption and the environment* - to know the relationship between consumption, leisure and the environment, the impact of own consumption on the environment, to be able to separate domestic waste, use basic rules of human conduct ecological.
6. *Safety* - know the basic rules of safety at school, at work, at home, avoiding risk factors, know the effects of drugs and pharmaceuticals, security labelling, to assess the safety of products and services, use the instructions for use.

For the education system, it is crucial to determine the methods of education.

Conclusion

„Every country has its own culture, traditions, school systems and consumer education is adapted to its conditions. In most European Union countries, there are characterized by systems of consumer education that permeate teaching several courses - be integrated into the curricula of individual courses as part of their natural. Consumer education is incorporated into teaching in primary and secondary schools; teachers are recommended to use interactive teaching methods. Consumer education is also carried out in extracurricular activities, various projects and volunteer activities associated with the activities of consumer organizations. The current trends of consumer education are focused on creating a better quality of life and emphasizing environmental protection. The basic direction in consumer education is the focus on the responsibility of young people in managing their financial resources in changing economic conditions and making lifestyle choices in accordance with the requirements of sustainable consumption. ”

A fact remains that various professional organizations, employers' associations, retail chains and chambers are also involved in consumer education.

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The Requirements of Commerce Entrepreneurship and The Research and Development Practices on Skills of The Graduates from The Faculty of Commerce¹

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Abstract

The development demands better education and better understanding of human potential. The business practice necessitates increasing improvements in the quality of education. The focus should be on high quality soft skills and business processes, including the social innovation method. A new space to achieve that is provided by the new programming tool of the Horizon 2020 Programme, which also deals with SME problems. Nowadays there are needed experts in various sectors. The Horizon 2020, a challenging approach of which will bring together resources and knowledge across different fields, technologies and disciplines, including social sciences and the humanities, is this kind of the programme. In this context, we would like to prepare adequate changes in the structure of educational programmes at the Faculty of Commerce.

Key words

challenge, soft skills, business process, teaching method

JEL Classification: M31, D83

Introduction

The progressive transformation of economy, society, education demands the understanding of sense of human potentiality. On knowledges, skills, motivation and enthusiasm of the man to carry out the labour activity depends the success of every organization. The intellectual capital, with permanent increasing value, based on ability to establish the changes and to appreciate the possibilities, is the crucial factor affecting the company chances for enforcing on the market.

The Slovak business practice calls more and more for quality schooling (the Secondary one and the University one), not only in theoretical knowledges, hand-crafted skills and technical sciences, but significantly in social sciences and so called soft skills, as well. The society needs to define the aiming of schooling insists on discovering the apposite tools for increasing of the competitiveness of particular educational institutions. From our research, made on random of 36 enterprises in West Slovakia, is clear the relative congruence of equivalence of the necessity of the Faculty of Commerce of University of Economics in Bratislava graduates in theoretical, analytical, creative, practical and strategical skills (Picture Nr. 1). The straggling is in 3,3 – 4,3 value, ergo all quality criterias are required nearly the same level, the smaller differences are only among the graduates of the First and Second stages. On cooperation with the Faculty of Commerce, the theses, would like

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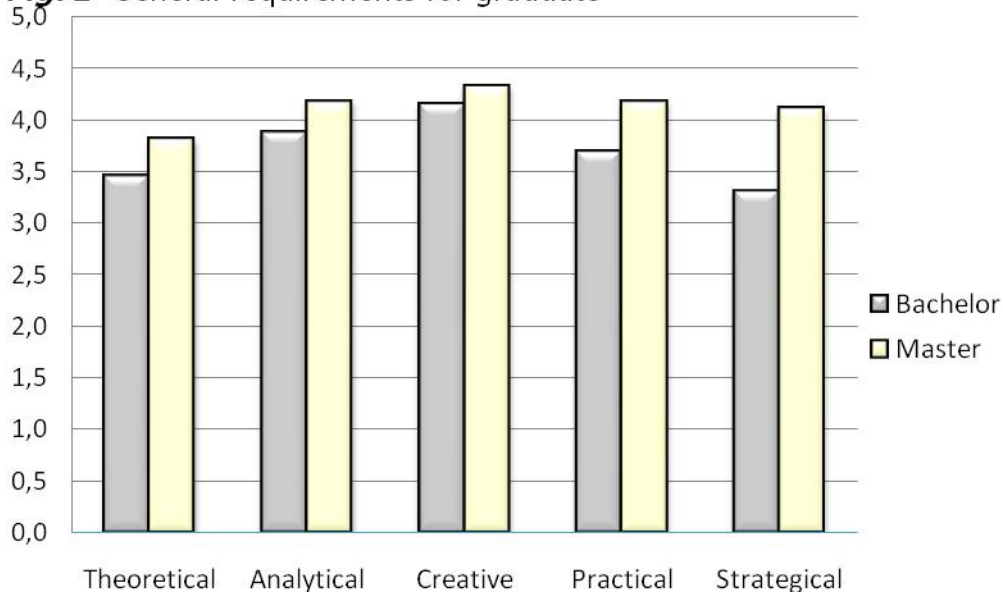
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to participate, on regular or non regular basis, not until 75 % of enterprises, to offer the study visit or practical training for the students however rejected 32 % of enterprise.

On other side at selection of the university, the students prefer other criterions as the entrepreneurial practice. From research, realized in 2012 by AKO agency, on the first place as criterion the school quality or of faculty (given by 51% of respondents), as second criterion was stated the distance of the school from the private residence (47 %), then the ability to find quickly the employment as graduates of granted department (36 %) a also the criterion of easy entrance exam (26%) (Legěň, 2012).

Fig. 1 General requirements for graduate



Source: own elaboration

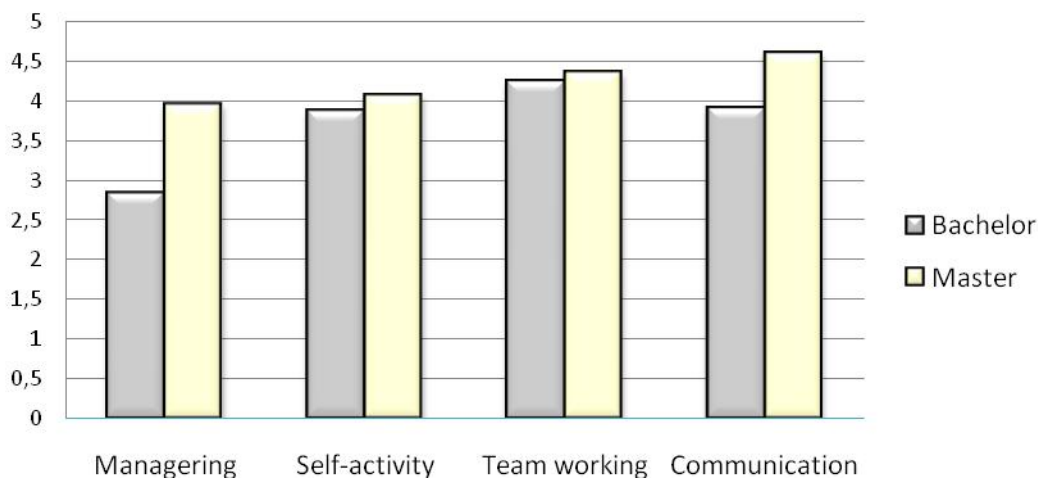
For effective switching of the triangle student – university – enterprises oriented on commerce and marketing are far more question marks and calls, as at technical orientation. The system of university education should so offer the students the possibility to embrace more key skills, to become the personality on the labour market, to be able to adopt to the requirements of the knowlede economy, to be able permanent cooperate with new informations, to produce the new knowledges and use them not only theoretically, but also in the practice and to show the flexible reaction on market requirements, to be the team player and with full engaging to solve the actual problems of the business practice.

The final goal of these activities is to apply the won knowledges and experiences in the business practice, commerce and other activities. The whole CEE region (Central and Eastern Europe) tries to catch up with the economic niveau of that western part so, the whole Europe would be able to face the current appeals, in the commerce activities as well, to bargain on the consequences of the commerce proceedings.

1 Actual demands and appeals of the practice of various experience types

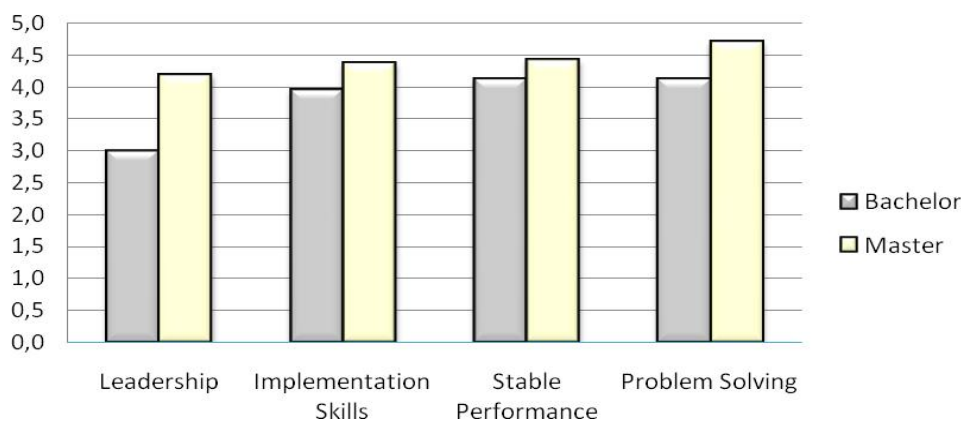
From the exploration, realized in 2012, arised also the specific demands of the practice on the Commerce Faculty graduates at, so called, soft skills and business processes. All parameters in the research came up to nearly the same figures. Very important was the detection of the dominance of practical and applications abilities focused on team job, communication and the problem solving. The enterprises stressed, the graduate has to have available this capability, that he has to be demonstrated in his habits (pictures Nr. 2 and Nr. 3).

Fig. 2 Soft skills requirements



Source: own elaboration

Fig. 3 Business processes requirements



Source: own elaboration

The current changes in sectors of commerce, marketing, informations and online technologies, are very dynamic. For faculties with this orientation is a great challenge to follow not only these changes and to implementate them in the educational curriculum and processes, but in scientific, research and development activities also to become the part of these inovative processes. Today is still used in the commerce education the form of courses and trainings, f. e., the method of social innovation, the aim of it is to involve

actively the students into the retraining process. Social innovations are new strategies, concepts, ideas and organizations that meet social needs of all kinds – from working conditions and education to community development and health – that extend and strengthen civil society. Social innovation includes the social processes of innovation, such as open source methods and techniques and also the innovations which have a social purpose – like microcredit or distance learning.

The next important part with new demand of faculties is a new programme instrument of the European Commission for science and research – „Horizon2020“. Even if many humane universities of economics in their activities are oriented on the macroeconomic trends, the European Commission created in the programme Horizon2020 very attractive and lucrative space for faculties oriented on microsphere, entrepreneurship, commerce processes and marketing.

There is agenda Innovation in SME´s provided with about € 3 billion in funding over the period 2014-2020, the SME Instrument helps high-potential SME´s to develop groundbreaking innovative ideas for products, services or processes that are ready to face global market competition. Available to SME´s only, which can however organise a project in the way that best fits their business needs – meaning that subcontracting is not excluded – the new scheme has opened a new highway to innovation through phased, progressive and complimentary support.

The SME instrument addresses the financing needs of internationally oriented SME´s, in implementing high-risk and high-potential innovation ideas. It aims at supporting projects with a European dimension that lead to radical changes in how business (product, processes, services, marketing etc.) is done. It will launch the company into new markets, promote growth, and create high returns of investment. The SME instrument addresses all types of innovative SME´s so as to be able to promote growth champions in all sectors.

The programme Innovation for SME´s, and some other programmes Horizon2020, create the framework for the possibility of future cooperation of the triangle student – university – enterprise also in Slovakia very effectively, so in research-development realm, so in its consequence on education. Especially the Faculty of Commerce has a great opportunity to take part on the application projects for the innovative enterprises, which have to put together 2 various levels of business plans for their innovations, with every request presentation for the support.

On the present, and in very next future, is growing the demand for the graduates, they are experts in defined branch, already after university finishing. The general orientation, as example the commerce- and marketing managements, stepwise lose their competitiveness and the students already are asking for higher level of specialization. This trend is supported by programme Horizon2020, which challenge-based approach will bring together resources and knowledge across different fields, technologies and disciplines, including social sciences and the humanities. This will cover activities from research to market with a new focus on innovation-related activities, such as piloting, demonstration, test-beds, and support for public procurement and market uptake. It will include establishing links with the activities of the European Innovation Partnerships. Funding will focus on the seven challenges, which are base for the education specialisation of the Faculty of Commerce (see Table 1).

The advancing changes, that in the form of specialized clubs contribute to fact that the student of the Faculty of Commerce has the possibility to become the marketing expert in sectors of health service, life style, agro-bio, online, distribution etc, are the

guarantee, that the demand for these graduates will be growing. So as the production is specializing, the commerce and marketing segments are specializing as well, especially by effort to satisfy the specific consumer demand, they are hypersegmented. They insist on the specialized approach. It could be manifested in the fact, that new business processes solve the problems of supplier-customer relations, SCM, that the commerce organization has to look for the new distribution channels, very often hybrid, for new ways how to satisfy the consumer, who becomes the dominant and decisive expansion motor.

Tab. 1 Faculty of Commerce specialisation according to the structure of Horizon2020

Challenges in Horizon 2020	Specialisation student clubs of Faculty of Commerce Bratislava
Societal Challenges	
Health, demographic change and wellbeing;	Healthmarket and Life Style Club
Food security, sustainable agriculture and forestry, marine and maritime and inland water research, and the Bioeconomy;	Agro-Bio Club
Secure, clean and efficient energy;	-
Smart, green and integrated transport;	Logistic Club
Climate action, environment, resource efficiency and raw materials;	Ekovision Club
Europe in a changing world - inclusive, innovative and reflective societies;	Future Vision Club
Secure societies - protecting freedom and security of Europe and its citizens.	-
Industrial Leadership	Interdisciplinary cooperation clubs of Faculty of Commerce with partners
ICT	On Line Club
Nanotechnologies, Advanced Materials, Advanced Manufacturing and Processing, and Biotechnology	HiTech Club
Space	-
Access to risk finance	Finance Club
Innovation for SMEs	Start up Club, Coworking Centre

Source: Horizon2020 <http://ec.europa.eu/programmes/horizon2020/h2020-sections> and own elaboration

2 Innovative changes in the study programmes of Faculty of Commerce

Adapting to the demands of the business practice, so as to the key research programmes, we would like to achieve, that the students already during their studies on Faculty of Commerce understand the commerce meaning and the specification of the marketing orientation, its importance from employment point of view, share on GDP, the innovation implementation, transparency in the informations so for the consumers, as for

the researchers and innovators, as well, and the conditions, that the commerce company creates for customer satisfaction, his convenience at shopping and the sortiment making. The target is to prepare the expert for the practice, who fundamentally, after employment entrance or commencement in research-developmentteam, or after beginning of own entrepreneurship, contributes by application of his knowledges to commerce and marketing dynamization process in CEE.

Fig. 4 Commerce is



Source: EuroCommerce, internal dossier

The basic marketing and commerce concepts pass through the principal, very often dramatic, changes. Accompanying characteristics of 21. century are globalization, internationalisation, digitizing, hypersegmentation, higher customer demands. To these changes have to be adapted the schooling methods on specialized faculties, oriented on entrepreneurship, commerce, operational level.

Meeting the practice into actual reaccreditation process we implemented on first and second stage of the study the subjects using the practical components. The students so have to ascertain various practical performances, to win the moderate number, min. 24 – 30 credits on every stage of the study in three various forms of practical education –the vocational application subjects, professional practice and final papers. The parallel opportunity for the students will be the possibility, besides winning the university degree, to start an own business, either as a member of an interdisciplinary start-up team, or by choicing the own product (goods, services, or others). Apart from changes of the structure of the educational programmes, we are compelled to reach for new educational methods, they offer the students the opportunities to win not only the theoretical knowledges, but various applied experiences, already during the university studies. Within this context are offered the methods as:

- *Enquiry-based learning* – is used here as a broad umbrella term to describe approaches to learning that are driven by a process of enquiry. The tutor establishes the task and supports or facilitates the process, but the students pursue their own lines of enquiry, draw on their existing knowledge and identify the consequent learning needs (Barrett, T.–Mac Labhrainn, I.–Fallon, H., 2005);

- *Game-based learning* – (Epper R. M.–Derryberry, A.–Jackson S., 2012) shows, that the majority of today's postsecondary students are digital natives and have grown up with computer games. Those who have spent time playing games report that they have provided many and various learning opportunities, even when those games are for entertainment purposes;
- *Problem-based learning* – for this method is leader the Aalborg University (Barge S., 2010). The institution has an agreed-upon and clearly articulated vision for how problem and project based pedagogies are integrated into its institutional objectives. This educational vision informs the development of study programs and curricula, influences the faculty members and students who comprise the institution, and shapes the institution's relationships with key constituents;
- *Project-based learning* – (Haselberger & Oberhuemer, 2012) gives as the helping introduction for the coach in the Guidelines for the design of learning situations supporting soft skills achievement that „each student is required to set personal goals for continuous improvement. Through this process the student is able to explore his/her own areas of development, set "SMART" (i.e. Specific, Measurable, Attainable, Relevant and Time-bound) goals as well as identifying the best tools to achieve. At regular intervals students – together with their coaches - monitor their progresses through an assessment“.

The determining marketing activity of the commerce subjects is the reaction on hypersegmentation. It desires the new approaches, not only on practical level, but on theoretical one, as well, it means –the graduate coming in business practice, has to be actual on the ball to „jump in“ the business activities, has to be able to react positive to entrepreneurship daily activities. These ones are today different as on the end of 20. century. The marketing subject „4 P“ didn't revise, they have been changed the forms, contents, ways and methods.

It stands to reason, that in the practice could arise the situations, when don't fit the harmony between the employer and his employee. In such situation is it possible to expect, that both sides have to do all to diminish the areas of disagreement, as soon as possible. The companies follow their goal and the employees are the component of it. If student, during his studies, understands these all bearings, confirms them during the student practice and the university offers him the integrated programme, besides the part of it will be the personal problems, it could be supposed the non problematic crossing from student status to employee status.

Conclusion

The university teaching system and the volume of informations, which offers in the integrated studies their students, is unavoidable precondition for that, so after practice start could the new co-worker become the successful part of „gear mechanism“, which is legitimately focused on profit creation. The complex, such oriented business subjects, can in decisive way dynamize the business processes in the CEE space, but in the whole continent, too.

University in the future has to turn into the decisive place, where the qualified, specialized worker are prepared. Best, in concrete field. University has responsibility to adapt to new conditions and adjust them as well the study condition and the study

content so as the practice requires. We would like to suppose, that by implementation of new, modern methods makes the Faculty of Commerce the contribution to dynamization of central-european space, namely with the education of qualified experts. Therefore it's a duty of Faculty of Commerce to put to use the progressive education forms and to create the framework conditions towards to become in the horizon „2020“ the wanted university educational institution, at least in CEE region.

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Utilization of Behavioral Models for Determination of Socio-cultural Factors for the Investigation of Social Capacity of Outdoor Recreation

Iveta Fodranová¹

Abstract

The aim of the paper is to determine key socio-cultural factors, which determine attitudes and behavior of residents during investigation of the social capacity of an outdoor recreation. Methodological starting point is a conception of a behavioral model of needs of the residents, which can be fulfilled in various quality and quantity. From the social point of view, absence of sufficient purchasing power of the respondents should not be an obstacle to satisfying of recreational needs of the population. If these conditions for recreation are optimally set, they contribute not only to the savings of public resources, but also to acquiring the means of healthy lifestyle and democracy. The neglect or inaccurate analysis of the demands of the subject leads to behavioral misconducts, which are reflected in economic productivity with impact on the entire society. The contribution highlights the dominant status of the residents as the key factor in the planning of outdoor recreation, which should actively incorporate the principles of sustainable development.

Key words

outdoor recreation, socio-cultural factors, carrying capacity, behavioral model

JEL Classification: L83, A13

Introduction

Traditionally, the recreational activities and facilities are planned in the offices with use of the descriptive information, usually without the attendance of the recreational activities participants. The usual outcome of this approach is a mismatch between the offer and the demand, which results in non-optimal satisfaction of the demand of the visitors. If recreation should succeed within a community, residents must be willing partners in the process of its formation. Comprehensive planning for outdoor recreation should consider residents' behaviour, which is not universal and constant. The aim of this study is an explanation of the connections between behavioural model of the visitors and a social capacity of the outdoor recreation. To have appropriate recreation planning, therefore, we need to consider social and cultural factors, which influence evaluations of crowding. Concept of crowding has become closely associated with terms of level of use and visitor satisfaction. The purpose of this study is also to find the potential demand for outdoor activities in Slovakia and to select a suitable behavioural model for determination social and cultural factors for investigation of social carrying capacity of outdoor recreation in conditions of Slovakia.

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1 Methodology

The methodical approach is based on the analysis of the relevant secondary sources of realized projects. The research is focused on identification of the implications and recommendation for management strategies associated with behaviour of the participants of the outdoor recreation and social carrying capacity.

2 Results and Discussion

Numerous authors reported different starting points of analysis of the outdoor recreation research (Jackson, 1966; Jackson, 1975; Shelby & Vaske, 1991; Manning, Lime, Freimund & Pitt, 1996; McDonald, 1996; Heywood, 2000). The most common and probably the most universal approach focuses on value system and lifestyle (Bryan, 1977) and their implication for the recreational behaviour. It is notable, that even in this approach there is an evolutionary trend which is a shift towards contextualization of the recreational behaviour itself. The behavioural model of the participants of the outdoor recreation determines so called social carrying capacity, which is an integral part of carrying capacity.

The concept of the carrying capacity has a relatively rich history. Initially, it was developed for the needs of biology and ecology (Ricci, 1976), where it signified the number of animals which have to be preserved before the biological and ecological impacts are irreversible. The ecological and biological character of the concept predetermined its application to protected areas. Later, in agreement with the implementation of the principles of sustainability it became relatively common method for the analysis of the capacity of other areas which need a threshold of the inadmissible impacts to the area. The concept of the carrying capacity made a smooth transition from application to protected areas, towards less protected or even non protected areas, which are more and more encumbered by outdoor recreation. Wagar (1964) developed the first formal exploration of the recreational carrying capacity concept. In this concept, he presented the following important ideas: (1) In contrast to earlier characterizations of the carrying capacity as an inherent property of a place that can be determined, carrying capacity is not an absolute value; (2) Carrying capacity depends on the needs and values of the people and can be only defined in relation to some management objective, and (3) The need to limit the use can be reduced through other management actions such as zoning, engineering, persuasion, and the management of biotic communities. Wagar's idea led to a substantial expansion of the meaning of carrying capacity—from a focus on numbers of visitors to the entire topic of "how to plan and manage a particular recreation resource" (Lime, 1976; Manning, 1999; Cole, 2001; McCool & Lime, 2001).

The physical carrying capacity can be defined as the maximum number of recreationists that physically fit into a defined area or setting. Then the calculation of physical carrying capacity (Sayan & Atik, 2011) is straightforward and constant in time.

$$PCC = A \times N_a \times Rf$$

Where: PCC – physical carrying capacity
A – area for public utilization (recreational or touristic)
N_a – visitor per m²
Rf – average time spent

The recreational areas are specific, because they are unevenly loaded in time. Then the carrying capacity is determined at the peak time as

$$CC = \frac{\textit{estimated number of visitors at peak time}}{\textit{optimal number of visitors}}$$

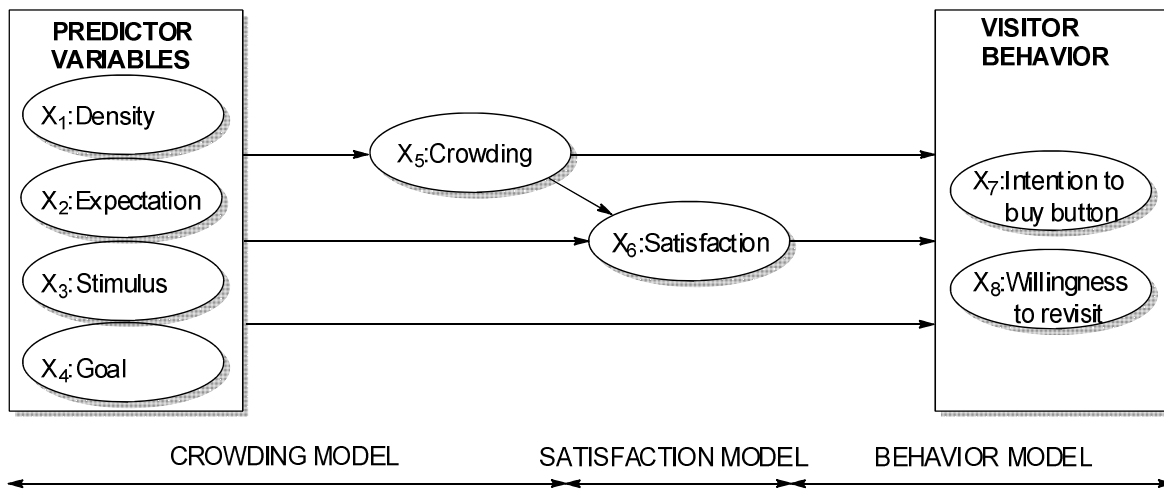
Carrying capacity is exceeded when the percentage at peak use is greater than 1.

Exceeding the carrying capacity leads to overcrowding. Overcrowding can be easily determined, but the impact of overcrowding on the evaluation of the quality of visitors of the experience creates a new qualitative dimension. The quality of the visitors experience can be defined in its most generic form. Carrying capacity can be defined as an amount of recreational use above which unacceptable impacts will occur (Washburn, 1982), or as the amount of visitor use that can be appropriately accommodated within outdoor recreation area (Manning, 1999).

Social carrying capacity can be defined (Shelby & Heberlein, 1986) as "the level of use beyond which social impacts exceed acceptable levels specified by evaluative standards"(here are three primary approaches to establishing evaluative standards: the contact preference standard, the visitor satisfaction and the perceived crowding approach. In EDAW (2004) social carrying capacity concerned with social impacts, such as visitors' perceptions of crowding (assessed from survey data), perceived and actual conflict between different visitors groups, the number of encounters with other parties per day.

The importance of understanding the perceptions of the users in social carrying concept is highlighted in the European Commission's report: Defining, Measuring and Evaluating Carrying Capacity in European Tourism Destinations. This report states that the number of visitors and compatibility of types of activities in an area without unacceptable decline of experience of visitors (European Commission, 2001)."

Fig. 1 Visitor experience and behavioural model of social carrying capacity: A conceptual model



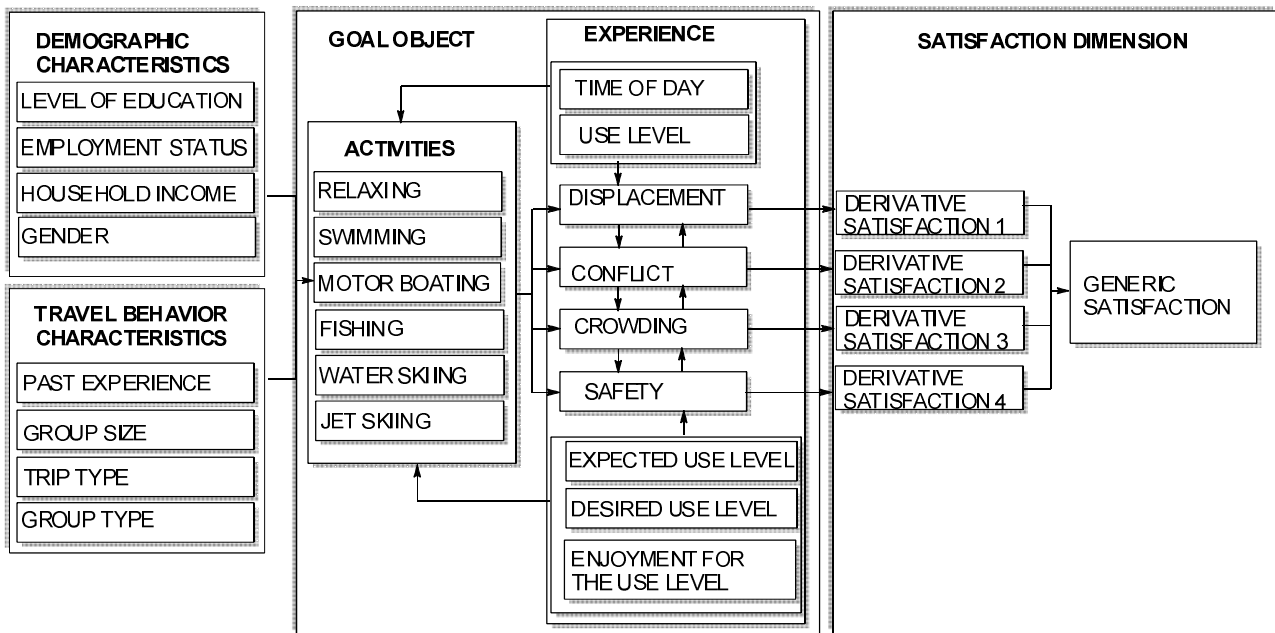
Source: Lee, 1998, p 9

The idea of determination of the social carrying capacity is essentially a measure of crowding tolerance. It has been defined (Cumberbatch & Moses, 2011) as the maximum visitor density at which they still feel comfortable and uncrowded. The most common method for determination of the crowding is a measurement of users' perception of crowding on the day they were visiting. The great advantage of this method is the reducing of response bias. Perceptions can be measured using an n-point scale ranging from 1 (not crowded) to n (very crowded). Recreationists or tourists who have negative feelings of crowds in their destination will move on to less crowded settings or not visit again (Heberlein, 1977). This displacement or return behaviour may be influenced by their experience and the evaluation of destination environments and other human behaviour user needs.

The social carrying capacity can however be influenced by factors such as the recreational infrastructure, visitor attitudes, and socio-cultural norms (MacLeod & Cooper, 2005). From this can be concluded that even if mathematical description of recreational infrastructure is not difficult, the description of the very subjective visitor's attitudes and socio-cultural norms is a challenge.

The key problem of the social carrying capacity is the visitor who behaves according to a certain mode. It is important to know what benefits the visitor expects. If the motivation of a recreation participant is known, the process of satisfaction of his needs is significantly easier. Satisfaction is a goal of various recreational activities. Interpersonal relationships, social values, and skills are interwoven with the activity (Bryan, 1977). Recreation activities reflect recreationists' socioeconomic factors such as level of education, employment status, household income, and gender, and recreation behavioural factors including past experience, group size, trip type, and group size. Choice of activity may reflect recreationists' social and personal norms.

Fig. 2 Activity-Based Satisfaction Dimension Model in Social Carrying Capacity

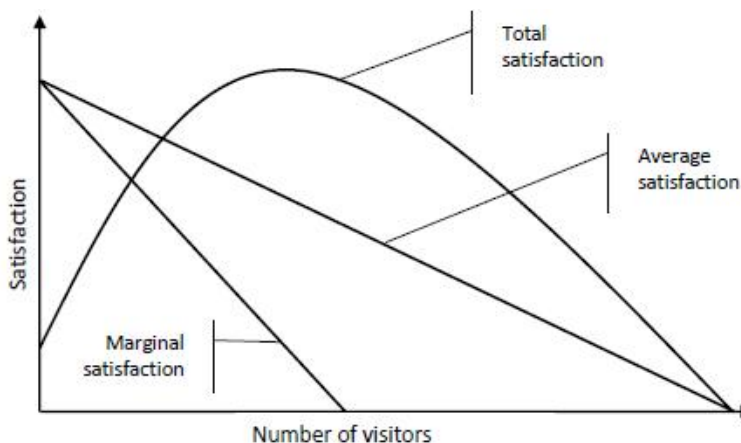


Source: Kim, 1997, p 8

In process of satisfaction as a need results in a state of arousal known as a drive or motive responding to relevant stimuli. These stimuli are called goal objects, and they can provide rewards or satisfaction. The need-satisfaction sequence (Mannell, 1989) provides a logical flow for understanding of the structure between impact parameters and factors of social carrying capacity and satisfaction.

The degree of recreation satisfaction has been defined as positive perceptions or feelings that an individual forms, elicits, or gains from engaging in activities or visiting settings; it is the degree that the visitors are content or pleased with the experiences, conditions, and/or situations (Beard & Ragheb, 1980; Dorfman, 1979; Manning, 2011). Satisfaction with the recreational activities and services is reflected by a repeated visit, which should be an indicator of the recreational satisfaction.

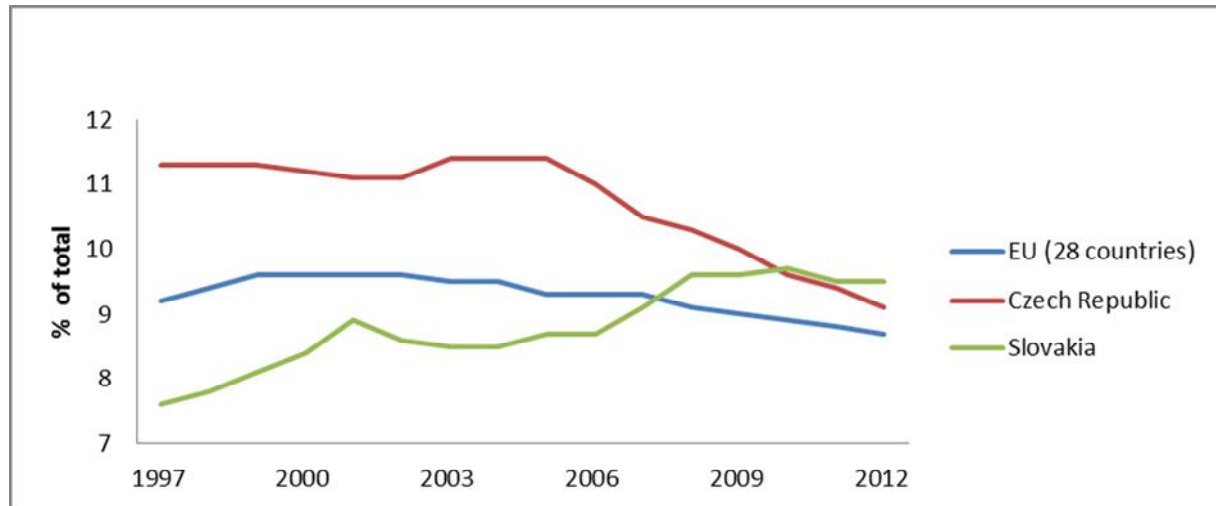
Fig. 3 Relationship between increasing visitor use and satisfaction (Nowacki based on Alldredge, 1973 and Manning, 1999)



Source: Nowacki, 2012, p 7

The constantly increasing interest in outdoor recreation in Slovak republic is depicted in graph 1. This graph illustrates positive relationship of the population towards recreation and is reflected by constantly increased expenditures on the recreation (see Graph 1).

Graph 1 Household expenditure on recreation



Source: author

The indicator is given by the ratio of household expenditure on recreation to the total final consumption expenditure of households. An international comparison shows that in 2012 the expenditures of Slovak household increased compared with EU28 average and Czech Republic. Despite the crisis and relatively high unemployment rate Slovak families are still willing to invest in recreational activities. The established trend of an increased preference of the recreational activities can be only welcomed.

This strong consumer demand creates a starting point for satisfaction of need of outdoor recreation, but it is necessary to note that the traditional view of the residential behaviour is too simplistic and could be rejected or replaced with a new understanding of resident as a consumer, who demonstrates particular actions of his behaviour. This is action related to the role of a resident, involving the needs, motivation, attitudes, values, personality and perceptions. Extra emphasis must be placed on the social action, activity-based understanding of the tourist behaviour within the wider field of recreation, with the objective to identify the key sociocultural factors, determining attitudes and behaviour of the residents, that facilitate or limit the participation in the outdoor recreational activities. An optimal framework for understanding visitor behavior with the identification of the most influential components of the visitor behavior is found in the theory of reasoned action (TRA; Fishbein & Ajzen, 1975), the theory of planned behavior (TPB; Ajzen, 1991), and the reasoned action model (RAM; Fishbein & Ajzen, 2010) as an explanatory and predictive model for human behavior TPB is identifying the most influential cognitive factors shaping the visitor behaviour and seeking the understanding of the individual behaviours as the implementation of behavioural intentions that are formed by the application of attitudes and subjective normative assessments to consideration of the specific behaviours (Fishbein & Ajzen, 1975). Socio-cultural factors derived from the customs, traditions, perceptions and beliefs of an individual's culture thus become a key determinant of the social capacity of the outdoor recreation. Determination of the optimal

parameters of the social carrying capacity has positive economical effects, and becomes a growing generator of the job opportunities.

Conclusion

The outdoor recreation economy is larger than most people realize. It is a significant economic driver but at its core is the outdoor consumer with their diverse interests which is determined not just by their income, demographic characteristics but also socio-cultural factors which is determined

Incorporation of the preferences into the behavioral model of the residents will be probably reflected during the construction of public recreational opportunities. In the case that the recreational activities are contribution to an increase in the quality of life of individuals and entire society, it is crucial to plan them according to the preferences of final consumers. Outdoor recreation is an inevitable part of the life of most people. A certain part of the activities will dispose higher business potential (thermal aqua parks, summer festivals), but even a lower purchasing power in the economically weaker areas can be reflected in the strong public pressure for formation of the regional politics in the area of public recreation opportunities which is a key ingredient to healthy communities and contribute to a high quality of life.

I suggest further studies in this area of research for further understanding the recreation benefits and life satisfaction relationships. Future research should be focused on the explanation of the differences in perceptions of outdoor recreation benefits among ethnic and cultural minorities in society.

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Research Commercialization – from Idea to Profit

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Abstract

Polish universities are gradually evolving into more practice oriented research institution model. The slow pace of this shift results from many obstacles, especially in the field of technology transfer and research commercialization. However, many newly introduced initiatives stimulate the idea of innovation based economy and university shall be the right place, where this development is about to start. As a great example of such initiative is the TOP 500 Innovators – Science – Management – Commercialization Program implemented by the Ministry of Science and Higher Education (MNiSW). It is the largest ever training program for leaders in research, technology and tech transfer across Poland who are spending intensive two months in world's leading universities: Berkeley and Stanford. Thereby for the first time 500 people create a critical mass necessary to change mindset and start new quality of science in Poland.

Key words

commercialization, technology, innovation, knowledge based economy

JEL Classification: I23, M13, O31

Introduction

Innovation is necessary for development of all economies. Different countries may compete with each other on the basis of labor costs, raw materials richness, capital access, regulation transparency, but the advancement of knowledge and inventions are key factors that ensure a long term prosperity. Importance of a strong innovation based economy foundations is being noticed in most of developing countries (Byers et. al, 2009). Also in Poland, 25 years after transforming back to free market economy, demand for innovative solutions is growing. Despite relatively high GDP growth rate during the latest downturn in global economy, Poland will not be able to meet the convergence expectations relying only on low labor costs and implementation of technologies brought by foreign investments to the country (Orłowski, 2013). The aim of the following paper is to reveal the characteristics and current state of innovation development in Poland in comparison to other countries. The paper will bring closer some issues referring to research commercialization, using descriptive and analytical methods. It will also make an attempt to present solutions implemented to promote innovation development in Poland, especially the Top 500 Innovators program, that was attended by authors of this paper.

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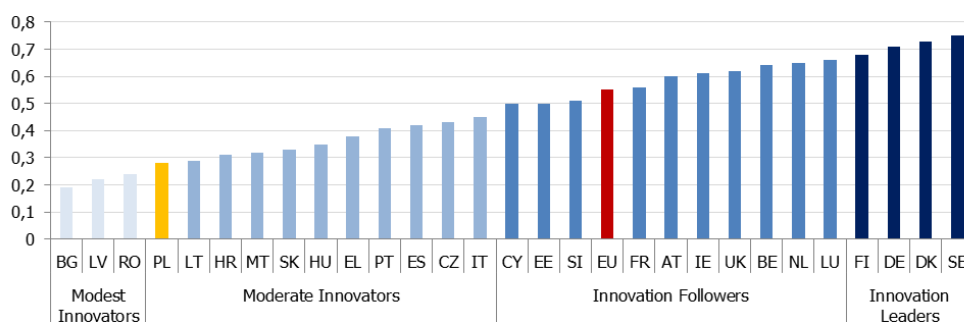
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1 How innovative is Poland?

Strategy for year 2020 adopted by EU member states sets out the 3% R&D intensity goal as one of the five headline targets to be achieved. On July 2012, the European Commission implemented the idea of European Research Area (ERA) – area in which researchers, scientific knowledge and technology circulate freely (Eurostat, 2014). All that efforts are undertaken to strengthen European Union economy as a competitive system based on innovation, knowledge, science and technology in comparison to global market.

According to European Commission Poland is classified as a moderate innovator and takes 24th place among 27 EU countries in the innovation ranking (Graph 1). Although Poland in many aspects is perceived as a leader in Central Eastern Europe, competitiveness of Polish economy in terms of innovation stands on a very low level.

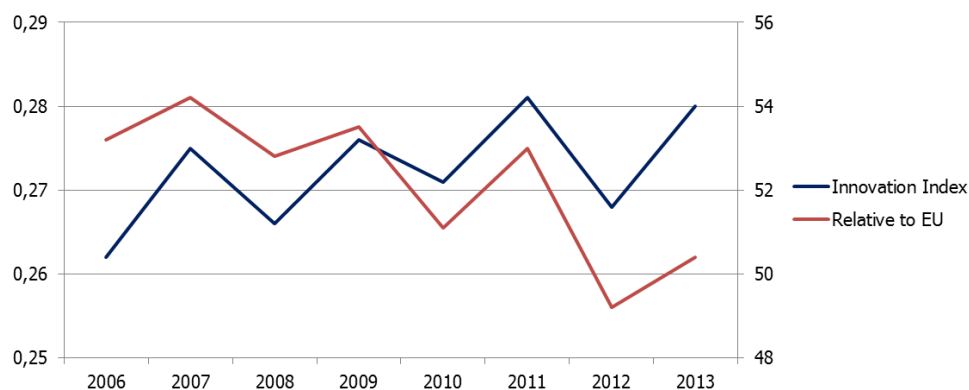
Graph 1 Innovation Union Scoreboard 2014



Source: own elaboration based on H. Hollanders, N. Es-Sadki, 2014, p. 5

Innovation Union Scoreboard is based on 24 indicators that take into account among others a human capital of the country, its R&D activity and financing, research commitment of companies and economic effects of R&D. Graph 2 shows that situation in Polish innovation sector is gradually improving, but the pace of those changes are very slow and the gap between Poland and other EU countries is widening.

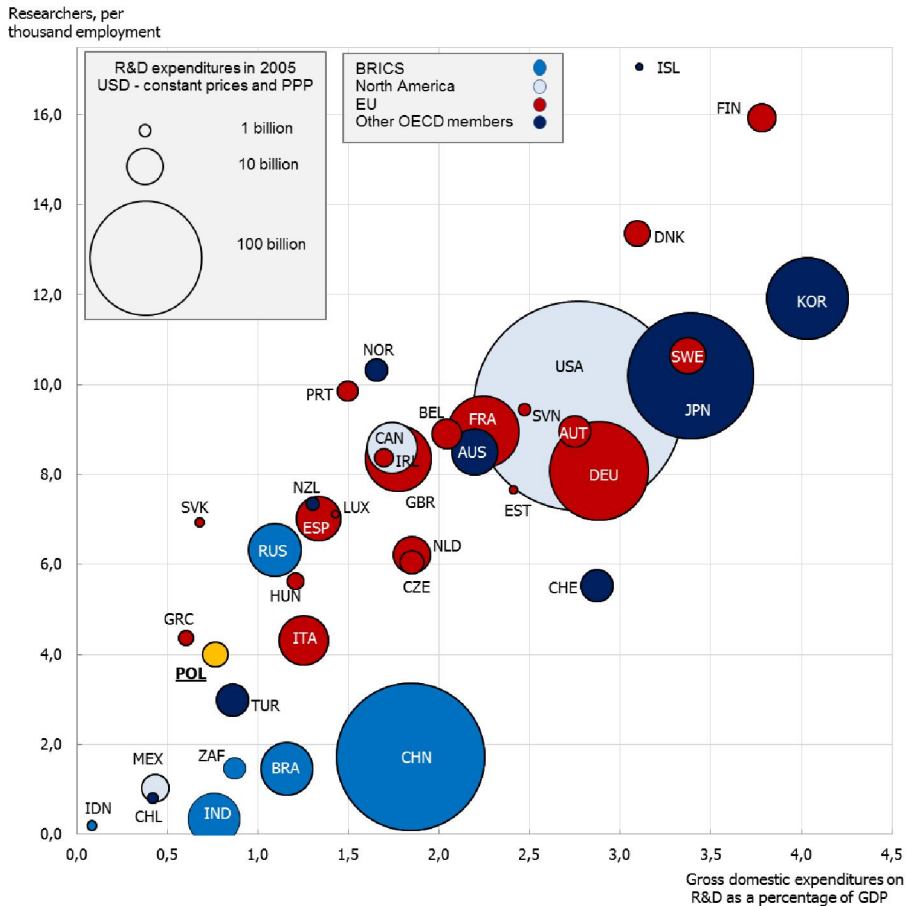
Graph 2 Poland innovation performance since 2006 to 2013



Source: own elaboration based on H. Hollanders, N. Es-Sadki, 2014, p. 63

Also in a broader spectrum, innovativeness of Polish economy is not satisfactory. OECD research shows that in 2011 about 4 in a thousand employees worked as a researchers and Poland spent about 0.7% of GDP on R&D. In comparison, on German market 8 employers in a thousand were researchers and gross domestic expenditures on R&D represented almost 3% of GDP (Graph 3).

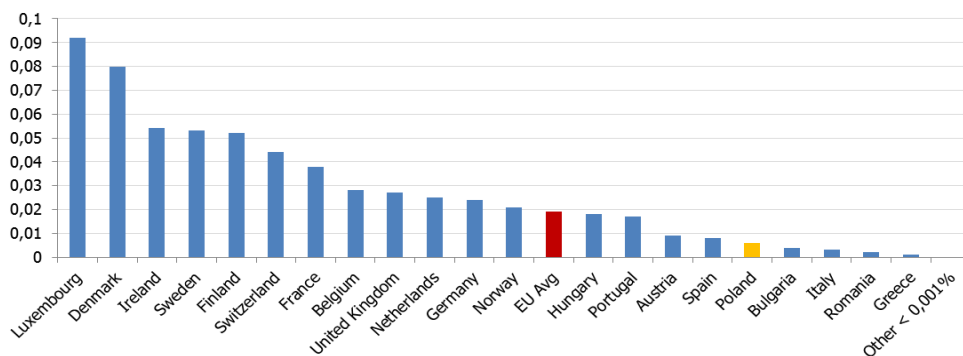
Graph 3 R&D in OECD and key partner countries, 2011



Source: own elaboration based on OECD, 2013, p. 50

Another important indicator that enables to access the environment for innovation development is activity of early stage investment funds in particular countries. Those institutions constitute an important source of financing for startup companies. Polish government, willing to stimulate venture capital market introduced in 2005 fund of funds - National Capital Fund (Krajowy Fundusz Kapitałowy), that already financially backed 16 venture capital funds, investing more than PLN 900 mn (KFK, 2014). Currently venture capital investments in Poland represent less than 0.01% of GDP. Average for European Union countries was more than 0.02% in 2013 (Graph 4).

Graph 4 Venture capital investments in EU - % of GDP in 2013

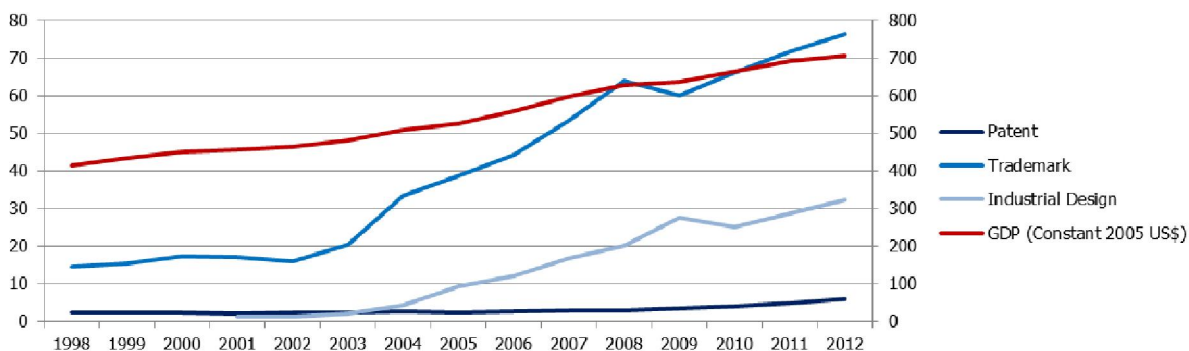


Source: own elaboration based on Eurostat, 2014

Although Poland performs poorly in reference to other countries, some positive trends are noticeable. As one of the key elements of innovation based economies is the

knowledge, measured by the intellectual property of the country. Since 1998, along with developing economy, rapidly increased the number of registered trademarks (Compound Annual Growth Rate (CAGR) = 12.6%) and industrial designs (CAGR=34.6%). The patents were characterized with only 6.6% CAGR during last 14 years, but since 2010 there are about 1000 new applications registered annually (Graph 5).

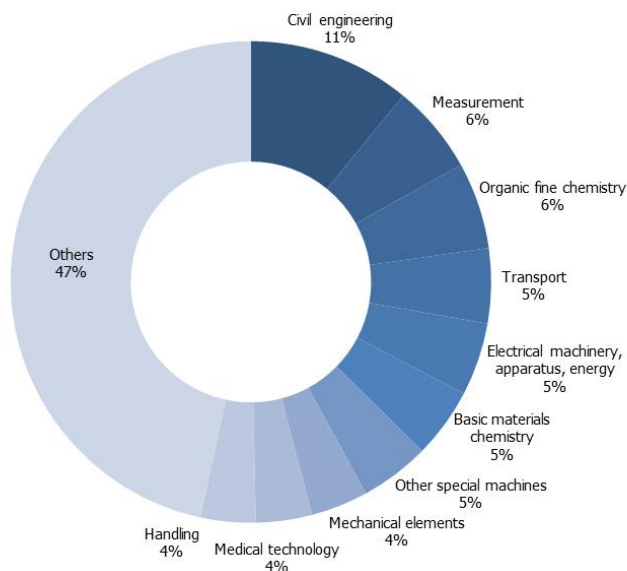
Graph 5 Intellectual property filings and economy in Poland since 1998 to 2012 [thous.-left axis, USD mn-right axis]



Source: own elaboration based on WIPO, 2014

Polish patent applications exemplify diverse fields of technology. Dominant share is represented by civil engineering patents – 11%. Other significant groups are measurement equipment (6%), organic chemistry (6%), transportation (5%), electrical and energy related machinery (5%), basic materials chemistry (5%) and other special purpose machines (5%) (Graph 6).

Graph 6 Patent applications by top fields of technology in Poland, 2012

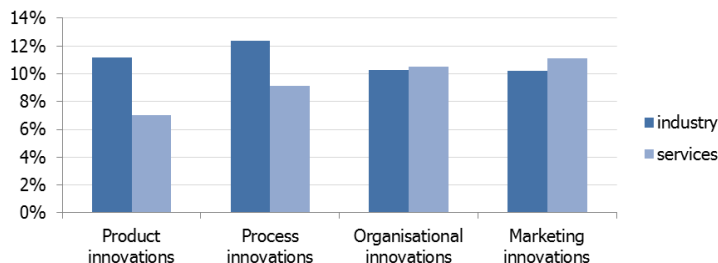


Source: own elaboration based on WIPO, 2014

Registration of patents and other forms of intellectual property are only one of the stages that shape the basis of innovative economy. Another phase is an implementation of the knowledge that was gathered. The most important group of entities that are able to generate positive economic effects based on innovation, are enterprises. In years 2010-2012 about 12% of industry companies implemented product or process innovation,

significantly more than service oriented companies. Introduction of organizational and marketing innovations is characteristic mostly for service providers than industry companies (about 10% of enterprises implemented innovative solutions), but the differences were minor (Graph 7).

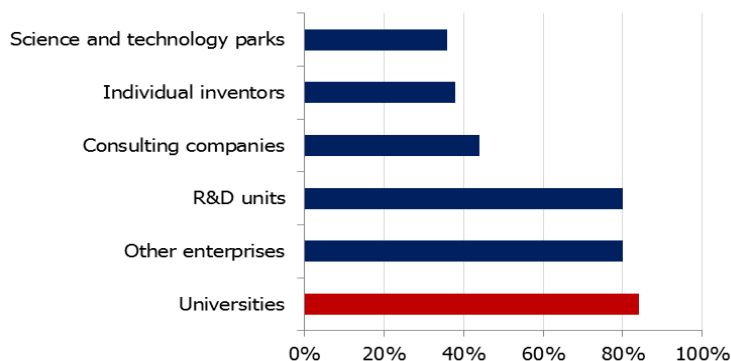
Graph 7 Innovation introduction in Polish economy, 2010-2012



Source: own elaboration based on GUS, 2013, p. 2

Investment in R&D activity of enterprises comprise the future of innovation based economy. Innovation development is a very complex process that requires cooperation of different parties, representing knowledge and business side. Currently, main partner for company's R&D cooperation are universities, representing above 80% of cases (Graph 8).

Graph 8 R&D cooperation of Polish companies



Source: own elaboration based on PWC, 2013, p. 6

In a process of innovation creation role of universities and entrepreneurs is equally important. In many cases university is not only responsible for delivering the knowledge but also can fulfill the role of entrepreneur and commercialize its own research.

2 Selected issues of research commercialization

Commercialization of research leads to technology entrepreneurship – style of business leadership that comprises of ability to identify initiatives with commercial potential, gather talent and capital resources and manage rapidly developing, high risk ventures by using proper decision making skills (Byers et. al, 2009).

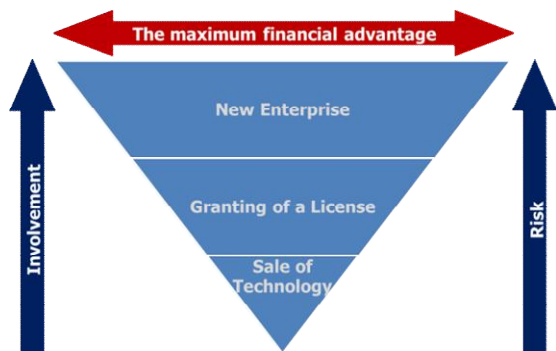
Implementation of revolutionary idea is a complex process and requires cooperation of different parties. That is why so important are preparations, that shall enable the inventors to specify their goals and choose the right path to accomplish them. The general course of the processes consist of following steps: research and development of new technology, invention and its implementation, assessment of commercial potential,

business idea, intellectual property protection, marketing and licensing, product introduction, revenues from commercialization and profit (Skrzypek, 2007).

University plays a crucial role in a process of research commercialization as an important source of innovation (Byers et. al, 2009). It provides required infrastructure in the phase of idea development and should enable to transform this idea into the business. As far as engagement of university in the first phase is obvious, the possibilities to benefit from research commercialization are miscellaneous.

There are three most common paths: sale of technology, license granting or establishment of technology venture (Olszewski & Beck, 2007). All solutions differ in terms of involvement, risk level and potential advantages (Figure 1).

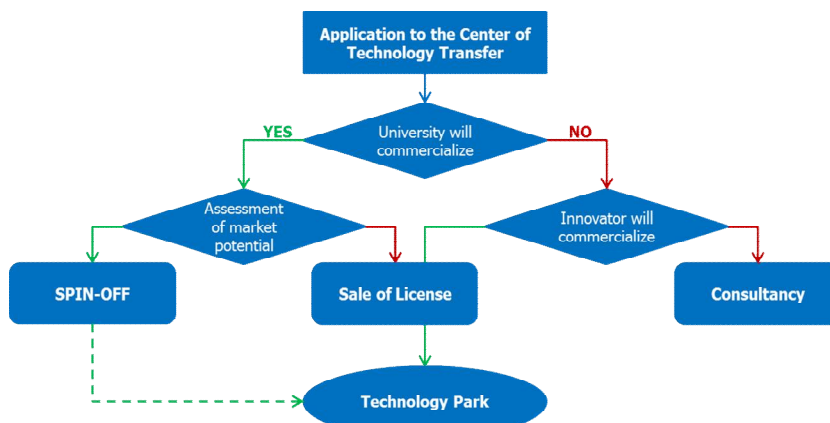
Fig. 1 Risk-profit relation in reference to different commercialization forms



Source: own elaboration based on M. Olszewski, A. Beck, 2007, p. 86

In process of knowledge transfer, innovation should be approached to as a business idea. The university, inventors and other parties have to be able to identify strengths and weaknesses of the innovation, what are the market conditions (barriers of entry, competition), size of a target group, type of sales model, basic financial figures and amount of CAPEX required for the start of production. A proper technology audit shall give the right answers witch path for commercialization is the right one (Figure 2).

Fig. 2 Decision making process in terms of knowledge transfer

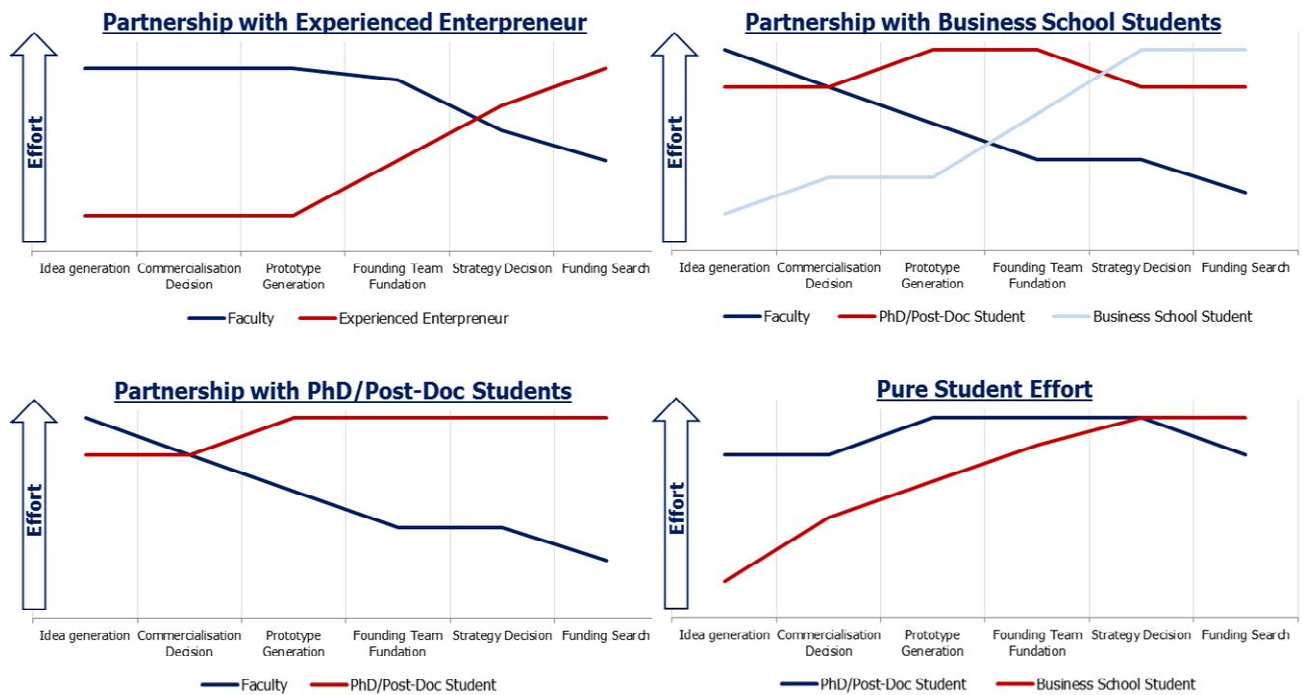


Source: own elaboration based on M. Dzierżanowski, M. Ryżejno, D. Trzmielak, S. Szultka, 2008, p. 56.

The most complicated solution, but also the one with biggest potential is an establishment of technology venture in form of spin-off / spin-out company. Also in this matter many variations can be tested (Figure 3). There are certain milestones that characterize every type of startup companies: idea generation, commercialization decision,

generation of prototype, team foundation, strategy decision, search for funding (Fong Boh, et. al, 2012). Involvement of different parties on particular stages of startup development shall affect the distribution of work. In the first stage contribution of university is the highest, as the idea is created. Gradually, required effort could be decreased due to a transfer of responsibilities to other parties. PhD/Post-Doc students might take responsibility for prototype generation and team founding. Entrepreneurs shall support the strategy preparation and the business school students will carry out negotiations concerning fundraising.

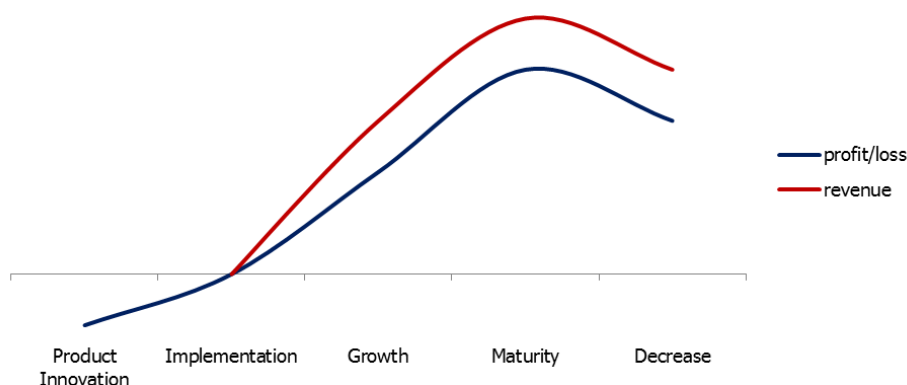
Fig. 3 Pathways of university spinoff development



Source: own elaboration based on W. Fong Boh, U. De-Haan, R. Strom, 2012, p. 5

Selection of the right research commercialization path shall be also preceded by reflection on timing of potential future cash flows generated by innovation. An establishment of startup company will significantly postpone the moment of idea monetization, although potential profits are the highest in this solution. Additionally first phases of startup life period are connected with capital expenditures on investments (Graph 9).

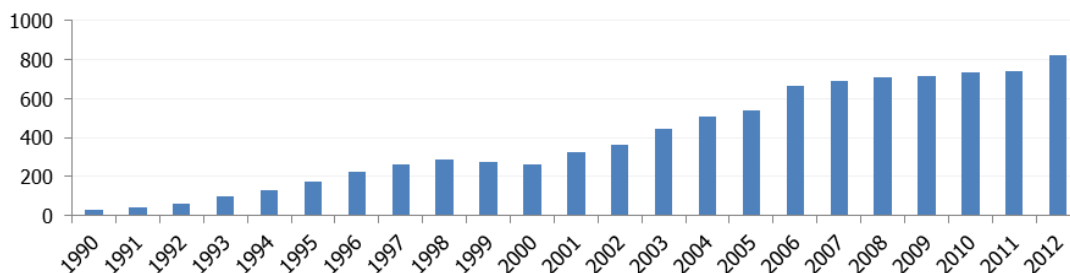
Graph 9 Revenues and profit fluctuations of innovation based enterprise



Source: own elaboration based on K. Przybyłowski, S.W. Hartley, R.A. Kerin, W. Rudelios, 1998, p. 292

Complexity of research commercialization process results in request for professional support services, provided by innovation and entrepreneurship centers. This niche in Poland is occupied by government institutions, NGOs and private entities. Their number exceeded 800 in 2012 (Graph 10). The centers consist mostly of training and advisory units (39%), business incubators (20%), guarantee funds (7%), technology parks (7%), loan and seed capital funds (11% and 8% respectively), (Bąkowski & Mazewska, 2012).

Graph 10 Development dynamics of innovation and entrepreneurship centers in Poland



Source: own elaboration based on A. Bąkowski & Mazewska, 2012, p. 12

Another key issue that helps to promote innovative solutions and technology entrepreneurship is development of human capital. As a great example of groundbreaking initiative in this manner is the TOP 500 Innovators Program.

3 TOP 500 Innovators

Governments are usually considered to be the last to develop innovative programs to foster technology commercialization. But the Top 500 Innovators – Science – Management – Commercialization Program implemented by the Ministry of Science and Higher Education in Poland (MNiSW) is a refreshing exception (Goryczka et al., 2014). It is a great example of government innovation for building a bridge between business and science.

The program offers the participants a two month internships at the one of the top ten Shanghai ranking universities (Academic Ranking of World Universities) - UC Berkeley and Stanford University. The aim of the program is to provide some theoretical issues and backwardness with a set of useful tools, methods, techniques and procedures used in world's famous innovation ecosystem of Silicon Valley.

Top innovators take part in lectures, seminars, workshops and courses such as commercialization of research results, research management, team organization, business strategy and leadership, effective decision making, conflict resolution, and self-awareness. Program participants have the opportunity to visit most recognized companies from Silicon Valley: Google Inc., Facebook Inc., NASA, Intel Corp. They also commune with the leading representatives of the venture capital funds, university incubators and prosperous startups.

Living and learning in Silicon Valley gain valuable skills and experience, providing a unique opportunity to develop intellectual and soft skills and network with other participants, teachers and coaches. An important part of the course is to improve the ability to work in interdisciplinary group and research team. Program participants learn to understand the possibility of changing their career path at different stages of life, be super

flexible and create T-shape skills. Failure is not a catastrophe, only one of the stages on the road to success.

Interestingly, the classes are organized with incredible care and are conducted by a group of professionals with the highest qualifications, among which can be distinguished not only entrepreneurs, but also actors (communication) and architects (design thinking). Participants have a chance to learn best practices used by outstanding individuals and various American institutions operating in a highly competitive market.

Program graduates (currently over 200 representatives) return with a different mindset, they verify and enrich their research ideas and engage in numerous initiatives including successful knowledge commercialization. Some of them establish their own spin-off and spin-out companies. They also create an opinion making authority supporting the government on the right way to changes.

One of the best examples of their engagement is the SPIN-TECH Program implemented by the National Centre for Research and Development. The program supports the operations of special purpose vehicles (SPV) created by state research units (public universities, research institutes and the Academy of Sciences), established to commercialize the results of research and development, in accordance to the amended Act - Law on Higher Education.

SPVs within the university will allow for ongoing assessment of the research potential application, effective management of intellectual property, real transfer of knowledge and technology to the economy and the dynamic development of cooperation between researchers and entrepreneurs.

Commercialization of research results, technology transfer, cooperation between science and business are today main areas of interest of the Ministry of Science and Higher Education legislation works in Poland. Also a government financial support for knowledge development is distributed by numerous incentives like Horizon 2020, the Program for Applied Research, Innovation Incubator, Agent Innovation, Spin-Tech. In the face of such perspective initiatives, graduates of TOP 500 Innovators Program are expected to form a flexible network of people connecting and sharing ideas, creating a critical mass that will play an important role in reforming science environment in Poland.

Conclusion

Current status of innovation of Polish economy is on relatively low level. Despite favorable general market conditions, Poland still is not able to significantly increase its competitiveness based on knowledge implementation. Constant development and strong emphasis on research commercialization could bring some changes in this matter. Governmental support for technology entrepreneurship, especially through implementation of such valuable programs like TOP 500 Innovators, and involvement of private sector in R&D initiatives, shall result in many positive effects in the nearest future.

Acknowledgments

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Interdependence of Trade and Trade Science Development¹

Zuzana Francová² – Daniela Breveníková³

Abstract

The paper deals with the interdependence of the development trade as the main implementer of circulation of goods and one of the most dynamic sectors of the economy and trade science, which reflects its development, state-of-the-art and predicts its future development. The aim of the paper is to identify, define and evaluate some significant development stages of trade science in connection with the development of trade or retail trade and predict further orientation in the exploration of trade science. On the basis of the analysis and comparison, the paper also deals with the interpretation of trade science; method of synthesis is used to evaluate theoretical findings; abstraction and deduction are applied to formulate predictions about further orientation of trade science or theories of trade.

Key words

trade, development, history, science, determinants

JEL Classification: M31, M19

Introduction

The scope of trade science is very wide; this science has at its disposal a database of valuable knowledge, and at the same time there are flexible links to other disciplines, e.g. sociology, psychology, economics, geography, law, philosophy, and the like. Its exploration plays an important role in the cognition, shaping, and development of trade. Simultaneously, it supports economic and societal transformation of trade, the given socio-economic development and trade development – on institutional level of retail or wholesale trade and on that of individuals, customers, and consumers.

1 Methodology

The aim of the paper is to identify, define and evaluate some significant developmental stages of trade science in connection to trade or retail trade development. At the same time, the aim involves the description of the developmental dynamics of trade and trade science in the context of economic development occurring in a particular environment and predicts further orientation of trade science. Our aim also involves the

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demonstration of the importance of trade science for trade, or for retail trade. In order to achieve the aim set forth we have used methods of analysis, while analysing theoretical starting-points of trade, history of trade development; and at the same time comparing individual development stages of trade.

We used the method of synthesis to explore the content and interpretation of trade science and focused on the connections between them. Further, we evaluated theoretical knowledge about trade and trade science and predicted next orientation of trade science or theories of trade, while using abstraction and deduction methods in identifying other areas of exploring trade science, or deducing other trade theories.

When exploring the interdependence of trade and trade science development we used available sources, which deal with partial areas studied. The problems dealt with in the present paper have not been adequately elaborated in the current professional and scientific literature; they have been considerably neglected by both academics and practitioners for a long period of time. For this reason, we focus on available sources by Czech and Slovak authors, which being unique *sui generis* have been influenced mainly by German professional literature. Their contemporary state-of-the-art of cognition is completed with present-day modern view of the problems concerned, based on the consideration of trends in the environment of trade and on the evaluation of interdependence of development of trade and trade science, and opinions of the prediction of its further bearings in the twenty-first century.

2 Results and Discussion

2.1 Starting-points and the State-of-the-art of Cognition of Trade Science and Trade

Starting-points and the state-of-the-art of cognition of trade science and trade focus on the importance and functions of trade, general development of trade, concepts of trade science used in professional literature, trade science, and theories of trade. At the same time, there are identified principal determinants in trade, which are inevitable for further reflections on areas of analysis and exploration of trade science, or theories of trade. Cognition of trade science is supplemented with the evaluation of interdependence of development of trade and trade science and the prediction for future orientation.

Importance of trade. Trade as the main implementator of circulation of goods and one of the most dynamic sectors of the economy represents an independent economic activity, which specializes in the exchange via buying and selling. Dominant position in trade is occupied by retail businesses. The share and importance of retail trade is rising.

Trade may be understood as the function of circulation and as the institution of circulation. The role of trade as the circulation function is, according to Cimler, Zdražilová et al., even in the broadest sense purchase and selling of goods and services between economic entities, namely between sellers and buyers. Trade activity may be performed also by entities, the subject of activity is manufacturing. Defining trade as the *institution of circulation* involves entities mainly dealing with trade activities. In general, we can say,

a business (establishment) is an institution which makes purchases in order to sell without an essential adjustment to goods (Cimle & Zadražilová, 2007).

Trade as intermediary between producer and consumer performs several functions (Cimler & Zadražilová, 2007):

- *Transformation of manufacturing (supplier) assortment into trade (buyer) assortment* – trade arranges the supply of goods and services according to needs and wishes of its customers.
- *Overcoming the gap between the place of manufacturing (supplier) and the place of selling (buyer)* – trade arranges selling or delivery of goods in the place needed;
- *Overcoming the gap between the time of production and time of purchase of goods* – trade ensures promptness in selling and in deliveries. It is necessary to maintain some level of supplies.
- *Securing the quality of merchandise* – under conditions of trade quality stands for the choice of supplier, dealing with claims and in connection with this possibly also changing a supplier. The classical quality control in trade may be applied in taking over of fresh foodstuffs.
- *Initiative influencing of production* – trade affects assortment, time, place, and customer demand.
- *Arranging rational channels of supply* – in order to decrease the selling price in relation to the level of supplying (logistics).
- *Arranging a faster payment to suppliers* – this is important from the aspect of indebtedness of numerous manufacturing and business companies.

At the same time, when evaluating trade within the national economy it is necessary to take into consideration its specific features given by the operation of trade as a mediator between the producer and the consumer. These specific features include (Zamazalová, 2009):

- *Trade as mediator.* Trade provides services for both entities, i.e. producers and consumers. Thus it faces pressures from both sides – from that of the producers and that of the consumer. Each entity prefers their own interests, while the role of trade is to look for compromises.
- *Trade as a barometer of healthy economy.* Economic and cultural level of the economy is determined by the level of trade, density and quality of distribution channels. Further, availability of trade with assortment, diversity of offering, freshness of merchandise, level of prices, behaviour and professional qualifications and competences of shop assistants, and the like.
- *Town-formative function of trade.* Trade influences the shaping of the nature of towns and cities. The construction of shops and shopping centres in urban built-up areas affects an overall appearance of towns and cities.
- *Immediate contact with consumer.* There are daily encounters of trade and consumers. Consumer behaviour as well as their on-the-spot (i.e. in the trade unit) responses are monitored. Consumer can also be evaluated by trade in terms of their purchasing habits and socio-demographic characteristics, which the producer has hardly any chance (unless selling takes place in own premises).
- *Extraordinary importance of live labour.* In trade there is a significant share of live labour, although many trade units operate on self-service system of selling. From the aspect of consumers and from that of marketing, “de-personification” of points of purchase is partially a negative phenomenon. Efforts for personal contact with

consumers are reflected in providing information services by means of information clerks and shopwalkers.

- *Specificities of performances.* The main indicator of business firm performance is sales revenues. Other types of performance include e.g., the actual selling, quality, amount of information conveyed, willingness, politeness, demonstration and trial of a product. Many performances are separable from the main one performance, i.e. the actual selling. Accessory activities include: demonstration of the product, providing various services (e.g. gift packaging). These activities may become a differentiation criterion, on which a trader can build their position on the market.

Trade has a unique and irreplaceable role in the national economy. In the European Union only, the market stands for 503.7 millions of consumers, which amounts to app. 8% of world population. Trade is the second largest employer, which, according to Euro commerce data employs app. 36 mil. people and is one of the most extensive sectors of the economy. According to Eurostat data retail and wholesale trade services, also referred as distribution services, account for 11% GDP EU and app. 15% of overall employment in the EU. There operate over 6 million companies in this sector, i.e. 29% of all businesses in the European Union. The retail trade sector is characteristic of a very large share of small- and medium-sized businesses, mainly micro-businesses with the share of over 95% (European Commission, 2013).

Retail and wholesale trade are closely connected, with each other as well as with other sectors of the economy, e.g. agriculture, manufacturing, IT services, energy industry, logistics, and transport. All these sectors are more and more integrated and the difference between them is less and less clear, as some retailers at present also operate as wholesalers or even as manufacturers.

Development of Trade. Problems of trade or retail trade was studied by the following authors: Rendoš in his publication *Ekonomika vnútorného obchodu* (Economics of internal trade) (1989), Kulhavý in *Skici k marketingu* (*Sketches on marketing*) (1993), Chmelíková in *Obchod: minulosť, súčasnosť a perspektívy* (Trade: past, present and prospects) (2002), Pražská & Jindra in *Obchodní podnikání. Retail management (Trading business. Retail management)* (2002). These authors described important areas in the development of trade, while the development in itself, in respect of its size and diverse nature cannot be fully and comprehensively processed. Therefore, in the following part we focus on (even though in an abridged form) a free processing of some of the most significant facts in the history of trade development. This way we intend to point to the succession, dynamics and intensity of this period. In order to obtain an all-round picture, our focus is on the development of trade, its penetration across Europe, and on its development on our territory.

Development of trade in Europe (Hallier, 2007) is characteristic since the year 1800 of innovation cycles with the period of twenty-five years. This is how trade developed across centuries:

- 1800 – marine epoch, at the centre of attention there are colonies as the supplying base of domestic countries;
- 1825 – In view of Napoleon's defeat and the Vienna peace negotiations trade is not oriented outwards but inwards. Many small country kingdoms created the Prussian Customs Union – nowadays, it could be interpreted as the base of the European Union;

- 1850 – development of competition and loss of jobs as a result of development of the engineering industry resulted in revolution (1848) and to creating consumer cooperatives;
- 1875 – in Paris, London, Munich, Köln am Rheine and in Milan department stores are gaining ground;
- 1900 – small retailers set up retail trade cooperation groupings, e.g. Edeka, later Rewe;
- 1925 – the crisis after the first World War is the beginning of the mail-order business model (e.g., Quelle);
- 1950 – after the Second World War self-services are imported from the United States as the concept of supermarkets;
- 1975 – hypermarkets, purchase centres and large-scale specialized shops (IKEA) assume the role played 100 years ago by department stores – “purchase-under-one-roof”;
- 2000 – Internet creates a new type of mail-order business. Technical developmental trends, e.g. RFID (Radio Frequency Identity) and WLAN (Wireless Local Area Network) lead to the rise of a new computer-oriented trade in the area of mass distribution;
- 2025 – All the elements of conventional distribution channel – wholesale trade, retail trade and households/customers will be technically linked with each other.

The development of trade suggest that it is a long-term, innovating, and extensive process, generating the application of marketing tools from the aspect of all the entities involved, i.e. manufacturers, trade, and final consumers.

Penetration of retail trade in West Europe reflects other significant moments in the development of trade in ten-year cycles since the year 1950. These cycles are:

- 1950 – family business was a very local affair; it was limited to a particular street in a town;
- 1960 – self-services/supermarkets enabled the retail trade to create chains of outlets/shops, which often used to be regionally grouped;
- 1970 – first chains of outlets started to do business on an nation-wide level and penetrate into the entire country/state;
- 1980 – first European “pioneers” were pilot shops or a form of risk capital of some neighbouring west-European country;
- 1990 – removing borders between the East and the West speeds up the internationalisation of retail trade;
- 2000 – several first retail traders can be called “global players”;
- 2010 – international and global players have an increasing influence on national markets, mainly in trade in foodstuffs;
- 2020 – probably 5–7 biggest players will have a 70% market share in the largest countries – either directly, or via risk capital.

A more comprehensive view of the development of trade can also be obtained by studying the *development of trade in our territory*. Trade as an independent economic activity started to gain ground in the period of separation of crafts from agriculture, i.e. in the period when life in cities and in the country started to differentiate. Trade had also its street form – “in small” and “in large” it was organized in places set aside for this purpose (e.g. in trade towers). Since the thirteenth century there was a movement towards the differentiation of wholesale trade and retail trade. Wholesale trade was represented by

wealthy merchants, who owned stores with merchandise and were linked to transit trade. Retail trade was carried out by petty specialized traders. The place of interaction of sellers and customers was a marketplace and sellers did not have their own premises in one place. In the fifteenth and sixteenth centuries, the discovery of America was followed by a new wave of trade development. The number of traders in Europe increased also due to the appearance of new kinds of goods, and in connection with that, new shops appeared. Definitely, the invention of printing was a milestone in the development of trade – the most sought for product was the Bible, and the possibility of its fast and cheap reproduction within retail trade gave rise to the bases of a new industry – mail-order selling. In the eighteenth and nineteenth centuries a higher degree of specialisation of retail trade appeared and this entire period is characteristic of the development of door-to-door trade; trade was further divided into free trade, merchant trade, shopkeepers, and door-to-door trade. In the twentieth century, there appeared first department stores and in some branches also chain retail shops (e.g. Meindl). The development of trade was at the same time influenced by the period of war and nationalisation. Later, trade came to be centralized, while an important role was played by state-owned trade establishments and consumer cooperatives. A significant landmark in the development of trade was the change-over from the centrally planned economy to the market economy. On the basis of privatisation of trade and restitutions in the nineties of the twentieth century, trade came to be considerably transformed, and that laid the foundations for present-day trade. Contemporary trade is affected by integration and globalisation processes and its manifestations. Trade is mainly characteristic of an increased orientation to customer needs in terms of the supply of goods and services and their availability. A comprehensive supply, purchasing comfort, orientation to customer needs and requirements, and a sophisticated consumer are some of the features characteristic of the contemporary trade.

Trade science concepts used in professional literature. Professional literature on trade included or includes (regardless the development of trade in terms of content and time) the following concepts: instructions for transportation and technical calculations, trade manuals and trade handbooks (collections of coin tables, weight tables and descriptions of countries), trade science, cameralistics, political economy, theory of trade techniques, general theory of trade, theory of foreign trade, theory of internal trade, theory of circulation, theory of sales economy, theory of trade establishment, theory of business economy, general theory of business economics, business economics of trade, business economics policy, theories of sales (sales economy), sales policy, theory of trade establishments, theory of circulation and marketing, marketing theory, theory of business policy, trade marketing (marketing of trade), theories of trade, theory of trade marketing, and the like.

The concepts used in literature are characteristic of the combination of trade theory, regulations and theory of shopkeeper way of life. Part of trade theory is referred to as a free theory of public notices/regulations and unscientific theory. Of course, not all the characteristic features are typical of the terminology used in even nowadays. Trade science works (across history) have always considered the development of trade as such; concepts fully and precisely clarified all connections of trade and trade activities in a given stage of development.

It follows that the most complex concepts include the following ones: trade science, trade theory, and trade marketing.

Trade science. An autonomous theory of trade came into being in the second half of the sixteenth century and in the first half of the seventeenth century. The focus of trade science is on developing a systematic set of knowledge of trade. The concept of trade science has been known since the year 1675. Trade science or its partial parts are described and analysed mainly in German, Austrian, Czech, Slovak, and Polish literature. Major representatives of trade science include (authors of books about and theories of trade) e.g., K. Oberparleiter, H. O. Schenk, E. Leitherer, J. Zenntes, H. Schramm-Klein, R. Sonndorfer, J. Hellauer, L. Pražská, J. Jindra, B. Hallier, P. Cimler, D. Zadražilová, L. Rendoš, Š. Sloboda, M. Kulčáková, K. Viestová, A. Czubala, and A. Szromnik. American professional literature deals with mainly problems of marketing and logistics, while trade science, theories of trade, partial theories of trade – sales formed the foundations for the development of marketing.

Trade theory. The concept of theory of trade started to develop under our conditions in the sixties of the twentieth century. By the nineties of the twentieth century, in professional literature there were used concepts, e.g. economy of trade, economics of trade, theory of trade function, and teachings of trade. The term *theory of trade* denotes a scientific discipline, which is made up of a set of generalised knowledge of trade, laws determining the essence and operation of trade. At the same time, this discipline deals with the origin of relations, operation of relations and their means and tools, which determine its operation. Theory of trade is a set of numerous interconnected partial theories of trade, which are based on the general economic theory and theory of trade, and which reflect the rationalisation of trade, increasing its effectiveness, and of the synergic effect of trade.

Development of trade theories. Comprehensive descriptions and formulation of trade theory development was given by H. O. Schenk (1991) and K. Viestová (2001) in „Teória obchodu“/ “Theory of trade” and in „Lexikón obchodu (1)“ (“Lexicon of trade (1)”) (2006). A complete survey of the development of trade theories is presented in Table 1.

Tab. 1 Evolution of Theory of Trade

Stage	Period	Description of stage
1.	13th century – mid 17th century	Theory of trade: instructions/manuals of transport and technical calculations, or trade manuals and trade handbooks
2.	17th century – beginning of 19th century (years 1675 – 1804)	Rise and development of "Science of trade"
3.	19th century	Decline in the importance of trade science as a result of cameralistics*
4.	End of 19th century – beginning of 20th century (years 1898–1911)	Theory of trade techniques was developing; general theory of trade divided into the theory of foreign trade and theory of internal (domestic) trade
5.	20th century (years 1912–1930)	Theory of trade firm replaced by general theory of business economics

6.	20th century (years 1931 – 1945)	Restructuring of business economics/ development of theory of sales (sales economy)
7.	20th century (years 1946 – 1964)	Reconstruction of sales policy
8.	20th century (years 1965 – 1974)	Theory of marketing to replace theory of sales, theory of trade firm policy
9.	20th century – since 1974	Development of self-contained trade marketing
10.	21st century	Development, enhancing, and deepening of theories of trade, specification of theory of trade marketing, formulating further partial theories of trade

*Cameraristics was a background to trade science. Science of Cameralistics was to answer the question of how the wealth of princes could be increased, how to best fill up the treasury. The aim of the science of trade was the same, with the only exception that the "treasure box" and assets were in the ownership of businessmen.

Source: Viestová, K. et al., 2006, p. 129 and own processing

So far there have been developed almost thirty theories of trade. These include, for example, the following theories: conception of division of labour, theory of comparative costs, theory of comparative utility, Schaer Law, theory of trade functions, theory of macroeconomic functions of trade, theory of market-making and competition, transaction theory, economic and geometric conceptions, theory of spatial localisation of trade, Reilly's law of retail trade gravitation, theory of the development of retail types/forms, gate-keeper theory, theory of social responsibility, theory of retail chains, theory of retail brands, theory of cooperation in trade, theory of concentration in trade, theory of trade integration, theory of globalisation in trade, and consumer theory. Problems of trade, however, include also other important areas, which are analysed within the theory of trade and confronted with the development of trade, namely marketing in trade/trade marketing, value in trade (value of the customer and value for customer), building relationships in retail trade, European trade marketing, and the like. These areas are paid a significant attention in professional literature and present the tools that are implemented in practice. Therefore, in our opinion, also these partial areas may be understood as partial trade theories.

Trade science may be considered to be a normative theory and an explanatory theory. As the normative theory, it recommends the course of action for future direction of trade, or its behaviour. As the explanatory theory, it is based on the hypothesis that considers only part of reality.

The exploration of trade theories clarifies basic issues of cognition of trade and its connections. It is necessary to explore these theories in terms of understanding various research conceptions of holistic or morphological character, which are relevant also for trade.

Trade theories applied in Slovak professional literature by the year 1989 are the expression of a normative and explanatory character of trade science. However, the normative character prevails and we can say it was also a prevailing character in market

economies. The most persuasive are the theories that were or could be adopted in trade practice, e.g., theory of comparative costs, transaction costs theory, theory of cooperation, theory of concentration, theory of retail chains. The following trade theories have an explanatory character: theory of market-making and competition, theory of social responsibility, and theory of brands.

An inherent part of trade and its development is *marketing, marketing of trade/trade marketing*. The term *trade marketing* originated in the seventies of the twentieth century as a result of change in trade's position in general and in particular due to changes in the position of institutional trade in the economy. Marketing of trade originated as part of trade theory. Marketing of trade or trade marketing denotes the application of methods, marketing instruments and modifying marketing as an economic philosophy and conceptions to conditions of trade as institutional trade activities. The concept of marketing of trade was formulated for the first time by the German author Ludwig G. Poth in the year 1973. Since the end of the twentieth century marketing of trade can be classified into *general marketing of trade* and special *marketing of trade*, which may be further classified several criteria, namely *channel level, branches, company forms, size of trade establishment, legal and organisation forms, result of combination of the above mentioned categories or of other criteria*. Another classification is that of into *trade (sale) marketing*, which represents the development of cooperation with retail chains and *shopper (purchase) marketing*, i.e. the marketing oriented to buyers in the very shopping premises.

2.2 Main Determinants in Trade as Links to Further Areas of Analysis and Exploration of Trade Science or Theories of Trade

The development of trade and trade science was influenced by a host of factors, while the following factors of environment deserve to be mentioned:

- *Pragmatic and careful approach of customers* – customer experience with the crisis is definitely affects the way they behave and in purchasing decisions customers take into consideration long-term values and sustainability;
- *Changeability of environment/setting* – changeability of as a characteristic feature of environment after the crisis remains and it continues to influence trade;
- *Integration processes* – internationalisation, integration, globalisation of the economy;
- *Sustainability* – in the long-term, sustainable development is very important for trade models. It means, for example, the working out of the strategies and incentives of decreasing energy costs, pushing through “the green” alternatives, which will also lead to cost-cutting.
- *Digitalisation, redevelopment of e-commerce* result in an increasing use of new forms of communication, which are interesting for consumers and consumers are open to them. They are social networks, new blogs, in which customers can learn information about consumer purchasing behaviour. Another form is various public discussions, via which traders can establish contacts with new potential customers.
- *Innovations and using new, innovative technologies*, which contribute to improving customer impression of the purchase in itself. These innovating technologies include also touch display points-of-sale, electronic labels/price tags on racks, electronic shop assistants, memory cards, scanning systems, virtual reality, and intelligent selling machines.

- *Enhancement of classical forms of selling with new distribution channels (multi-channel sale)* contributes to increasing sales effectiveness, which leads in the end to increasing sales revenues achieved, e.g. through on-line trading.
- *Learning specific types of customers*, who behave in accordance to particular purchasing patterns, and the basis of which they can determine their target group. Consisting of specific types of consumer. This contributes to increasing the effectiveness of trade in communication with customers and in satisfying their needs.

2.3 Evaluation of Interdependence of Trade and Trade Science Development and Prediction of Further Orientation

The issue of need for trade science and trade theory highlights the role of theories (Viestová et al., 2008):

- *Selection function* – theory must filter off relevant information from a great amount of data provided.
- *Arrangement function* – theories assist in the structuring of perceived reality.
- *Explanatory function* – theory explains the essence of existing, or future phenomena and laws.
- *Forecasting function* – theory predicts, forecasts events.
- *Social criticism and critique of ideology*.
- *Control of own accuracy*.

System of concepts which governs scientific and societal thinking and the formulation of theories and trade science to date, while considering future development can be evaluated as follows:

- Trade science as the state-of-the-art of cognition in a given period in the development of trade reflects all the important processes and activities of trade establishments – trade science and formulation of theories are given by the stage in trade development, in terms of their content and definition in terminology.
- Trade theories are based on the fact that the essence of trade can be explained on the basis of a compact and synthetic evaluation of all trade functions.
- Modifying existing functions is based on the evaluation of their importance in a given stage of development.
- It is inevitable to evaluate or verify existing theories in the context of society-wide and economic development.
- Formulation of “new” theories in respect to development of trade is an assumption for the development of trade science.
- Formulation of trade science also depends on the development of other related scientific disciplines, e.g. sociology, psychology, and geography.

Trade science development and the formulation of trade theories find themselves in the stage when the rising interest in innovations and increasing existing theories and formulating ones that are going to consider the existence of businesses in the 21st century global market. Trade, retail trade as the most important branch of trade and trade science are going to be determined by the following factors:

- Factors of economic and marketing environment;
- US model – trade businesses adopt and will continue in doing so, American methods of management and business, which are at the same time supported by the effects of integration and globalisation processes.
- Influence of the European Union and its institutions, as well as tools and measures that support adopted and legislative measures and those that are being prepared and which will impact trade and consumers.

Given the current development in the economic environment, we assume that further exploration will be oriented to (although these areas have been already explored): theory of relational marketing – theory of customer relationships, theory of experiential marketing in trade, theory of crisis, theory of the standard of living and personal consumption, theory of value, theory of Internet/online trading and electronic trade, and their related or other areas. These theories and trade science will also take into consideration the influence of the US model on trade and the impact of the European Union and its institutions.

Conclusion

Interdependence as a reciprocal dependence in the state-of-the-art of the cognition of trade science and trade is based on the orientation to importance and functions of trade, general development of trade, concepts of trade science used in professional literature, in trade and theory of trade. Given the influence of environment, it is necessary to identify main determinants in trade, which are the basis for next reflections on the area of analysis and explorations of trade science or those of theories of trade. The cognition of trade science is also supplemented with the evaluation of interdependence trade and trade science development and prediction of next orientation, which will consider relationship marketing – customer relationships, experiential marketing in trade, analysis of the standard of living and personal consumption, value in trade, online trading and electronic trade, and other areas.

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Looking for a Competitive Advantage in International Transport and Logistics with Focusing on Adaptation, Ecology and Knowledge ¹

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Abstract

The paper deals with a definition of possible sources of competitiveness of companies in terms of international transportation and logistics with a focus on knowledge and ecology. It analyzes arguments based on relevant theories of sustainable growth and theories of competitiveness, based also on the characteristics of adaptation and a complex adaptive system. Through the methods of historical analysis, identified are the key changes in business processes and strategies while by means of the ESSO model (Environment – Strategy – Structure – Operations) it specifies the opportunities and risks affecting a company, whilst the penetration of operational processes, strategies and structures represents knowledge management. By the use and application of the ESSO model in the field of international transport and logistics, the paper deals with key indicators of the formation of a sustainable value added – competitive advantage of companies as part of ecological supply chains focusing on markets in Central Europe and in the Danube region as well.

Key words

adaptation, ESSO model, strategy, logistics, competitiveness

JEL Classification: F18

Introduction

The issue of sustainable growth and competitiveness of individual countries is gaining increasing importance in terms of both, national and international while standing as the center of attention, not only at the macro but also micro-level, as a part of the strategies of companies.

Interconnection can be observed in aim of many companies operating in selected markets of Central Europe to support the strategy of the Danube region by seeking more efficient and more environmentally friendly methods of international transportation and logistics.

Market environment changes have intensified the need for finding sources of competitive advantage by the means of focusing on added value for customers, with more efficient responses to unmet needs and searching for innovative ways to their satisfaction by gaining profit for both sides (buyer and seller). It is therefore important to focus on the possibility of achieving savings, not only within the enterprise, but throughout the entire supply chain with emphasis on ecology, environmental aspects of the use of innovation, knowledge and new technologies.

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1 Methodology

The aim of this paper is to point out possible sources of competitive advantage in terms of international transportation and logistics with emphasis on ecology and sustainable growth. Theoretical basis are selected theories and the theory of competitiveness and sustainable growth theory. We will also focus on the definition of adaptation and a complex adaptive system. Through historical analysis, specified will be chosen strategies, management methods, which also affected the very structure of supply chains. By characterizing the ESSO model (Environment-Strategy-Structure-Operations - ESSO Business Model Development) and its application to the transport and logistics we will point out potential sources of competitive advantage of companies operating in the markets of the Central Europe and also in the Danube Region.

2 Results and Discussion

2.1 Theoretical Background

Background of all major theories is the effort of sustainable development and understanding the links between investment growth and the resulting output. The classical theory suggests that trade internationally compensates for the price of traded good among the countries themselves. However, this conclusion does not take transportation costs into the account, which are in some cases, the only reason why a business is made. Investment in infrastructure development thus plays an important role.

According to neoclassical theory, the increasing production of input (including tangible capital and labour) affects the growth of the region. Infrastructure, in accordance with this knowledge, has a positive effect on regional growth and particularly its ability to support productivity growth of physical and human capital. On one hand, the output growth could be reached by reducing the production and logistics costs and on the other hand, by ensuring a higher level of infrastructure (Baláž et al., 2010).

Among the most important theories highlighting the connections and interconnections of international trade, investments into transport and their influence on transportation and economic growth belong the theory of competitiveness and the theory of sustainable growth.

Theories of Competitiveness

During currently still ongoing financial and economic crisis, competitiveness does not represent the aim itself but a mean of an effective implementation of international trade. One of the main sources of corporate competitiveness is the added value. This element was dealt with by M. Porter, an American economist who in 1985 formulated and popularized the value chain. Logistics is a part of this chain and one of the main activities of the company, by which actually represents existing and potential possibilities for differentiation from competitors (Porter, 1998).

In terms of strategic planning, applied is also the Red and Blue Ocean Strategy. Its authors W. Chan Kim and Renée Mauborgne compare a typical market today to nature. The current market has its own characteristics, applying the same rules, saturated with competitors and an ongoing strong competitive fight. Market players operate within

certain limits, produce the same products respectively similar to their competitors and there is a price war over the profit and market place. The strategy is then derived from the behavior of sharks in the world's oceans where they move, looking for a victim while fighting among themselves. After defeating the victim, the ocean water remains red. Red Ocean Strategy thus concentrates on defeating competitors in regards of enforcement under all circumstances. Due to overcrowding of the market, players experience a "ferocious" fight while reducing the possibility of achieving growth and profit. The opposite is the application of the Blue Ocean Strategy, of which the main feature is penetrating on the unknown, still unexplored markets where the demand is only being created or shaped and for the company this market represents unlimited space to generate profit. On this market, there has been no competition rules established so far (can be created by removing barriers and extending an existing market or creating a new space). The essence of this strategy is the value innovation aimed at ousting competitors from the market by providing a significant added value to customers. Ultimately this does not concern mainly the technological innovation but to reconcile the benefits, costs and prices (Kim & Mauborgne, 2005).

Theories of Sustainable Growth

Historically, to the economic growth point the neokynes theories of which investments as a starting point are the only prerequisite for economic growth (exogenous variable) with multiplier and accelerator reviving such economic growth.

E. Domar in his work expressed the ambition to revive Keynes's static model. He created a model whereby he claims that investments not only generate new income, but also extend the existing productive capacity. R. Harrod sees as the drivers of growth especially population growth, technological development and exploring new natural resources. Kaldor's model of economic growth indicates high correlating between the share of profits and investments (Lisý et al., 1999).

Neoclassical growth theories are based on the Cobb-Douglas production function. Currently are being developed also theories of endogenous economic growth, in which a human capital represents a source of economic growth. R. Solow considered substitution of resources as the key element in achieving economic growth, puts forward the position of ongoing technological progress, which is achieved mainly by increasing the efficiency of use of source (Sollow, 1974).

In the 80s and 90s, new theories of economic growth come to the fore, based on a more precise definition and understanding of capital and its measurement with expressing its effectiveness. Sources of growth are endogenous variables such as population, technological progress, science, research, innovation, investments (Lisý et al., 2010).

In 1987, the UN General Assembly adopted the report Our Common Future, which first introduced the concept of sustainable development defining it as a development enabling to meet the needs of current generations without compromising the ability of future generations to provide for their own needs (UN, 1987).

Currently, the concept of sustainability is evaluated through three basic concepts, namely economics, ecology and justice. In terms of international transport and logistics, thus the center of attention are becoming ecological supply chains while one of the sources of penetrating on the market, of competitiveness is adaptation and focusing on innovation and knowledge.

2.2 Adaptation and Ecological Supply Chains

From an economic perspective, adaptation, as well as value added represents a specific possibility respectively a source of competitive advantage. In other words, flexibility means the ability to change the opinions and ideas to become suitable for different conditions or new environment. Adaptation can be regarded as a process in order to cope with a new situation successfully. By F. Nilsson, adaptation in complex systems can be described as the way the individual elements act and react in a competitive and cooperative manner to the changes going on in their environment. That means that operators are adapted to adaptation of others in the local context (Nilsson, 2003).

Global supply chain management suggests that the strategy must also deal with the phenomenon of "complex adaptive systems" (CAS). In general, the components should be linked to the environmental conditions in the current turbulent environment (Skjott-Larsen .et al., 2007)

CAS is a special kind of complex systems that include adaptation as one of its essential characteristics. From the logistical point of view, adaptation means that the system components (also called agents) are flexible, sensitive to changes and active. CAS can be characterized on the basis of four main features: internal properties, emergence and self-organization, the surrounding environment and the future (Choi et al., 2001).

Adaptive Planning arouses great interest among supply chain managers for its individual approach to every request, near and optimal solutions even for complex networks.

Strategies, management methods applied in many contemporary societies were developed several years ago when the company needed to find new directions for competitive advantage mainly focused on reducing costs (Burrows, 2009):

- production on assembly lines (1910): was one of the major milestones in the development of the mass industry. The aim of Henry Ford was that his car factory produces and offers cars affordable for everyone.

- market segmentation (1920): car models of General Motors were tailored to market requirements within individual divisions, which acted as separate companies controlled by the top management.

- lean production (1950): applied in the company Toyota led to minimizing inventories and the development of so-called pull strategy.

- Six Sigma (1987): first appeared in the company Motorola as a process of reducing errors and shortening the production cycle time. It is a way of measuring quality, project-oriented methodologies aimed at reducing errors and maintaining them at a low level.

- outsourcing (1989): at this time company IBM started to focus on their core business activities and transferred certain activities to external firms.

- open innovations (2000 to present): many companies place emphasis on cooperation with other firms and customers. Intangible assets are obtained either by transfer of ownership or under license. Procter & Gamble Company acquired almost more than a half of innovations from outsiders.

The above mentioned strategies, management techniques have also affected current structure of supply chains, comes to the foreground their effort to implement ecological,

environmental requirements and shaping so called environmental friendly supply chains. Many companies in order to achieve sustainable development begin to focus on monitoring and measuring carbon footprint.

In order to being able to compare different supply chains, the European Union published a proposal for a single calculation of transport emissions EN16258. The aim of the European standard is to standardize the calculation of emissions with an universal calculation for service providers (operators, vendors) of transport and logistics services as well as buyers of transport services (shippers). Fuel consumption of the relevant vehicle may be based on measured or average values, which are calculated by the set coefficient in the relevant standards. In the supply chain, carbon footprint is affected by several factors such as the composition of the product or the choice of transport modalities (Furdová, 2012).

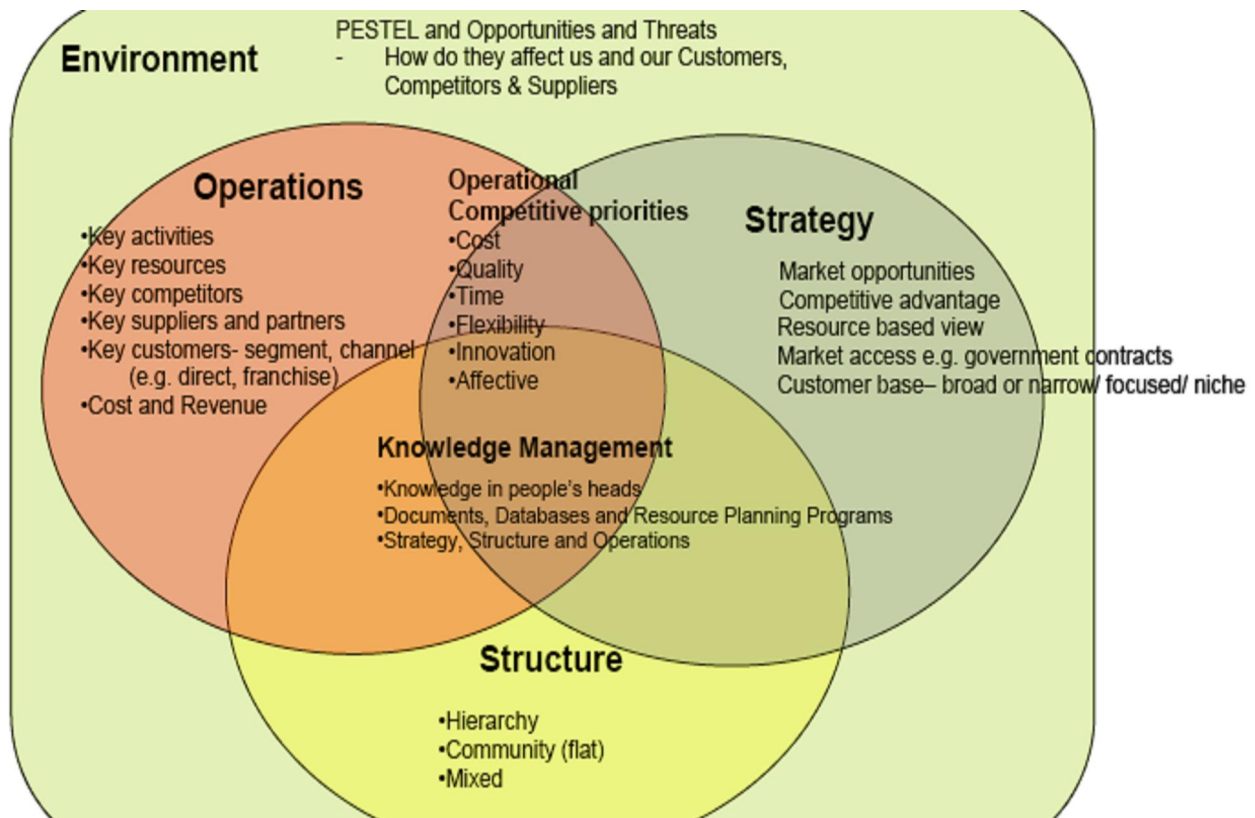
In terms of delivery of the item, it is important to focus on selected transport modality, which also influences the amount of delivery costs and carbon footprint in the distribution chain and delivery time. Also the structure of the distribution network, such as number and location of distribution centers, the use of cross-docking can have a significant impact on the sustainability of the supply chain. Possible solutions to eliminate the carbon footprint of transport / delivery thus lie in consolidating of the shipments, packaging optimization or searching for new transport routes. Monitoring and eliminating of the carbon footprint represents a potential source of competitiveness of many companies, not just in the field of transportation and logistics, but also affecting the producers or service providers themselves (Christopher, 2011).

Another fact is that the business environment is characterized by the growing influence of transnational corporations. The effort to achieve a reasonable profit as well as the increasing competition in domestic as well as in foreign markets is increasingly forcing companies to draw the attention to the economies of scale and to the search for new competitive advantages that means looking for competitive advantage (Jamborová, 2012).

2.3 ESSO Model – Transport and Logistics

According to M. Lim, the original ESSO model (Environment-Strategy-Structure-Operations - ESSO Business Model Development) identifies the opportunities and risks affecting the specific company, its customers, competitors and suppliers while the penetration of operational processes, strategies and structures is knowledge management as shown in the following figure.

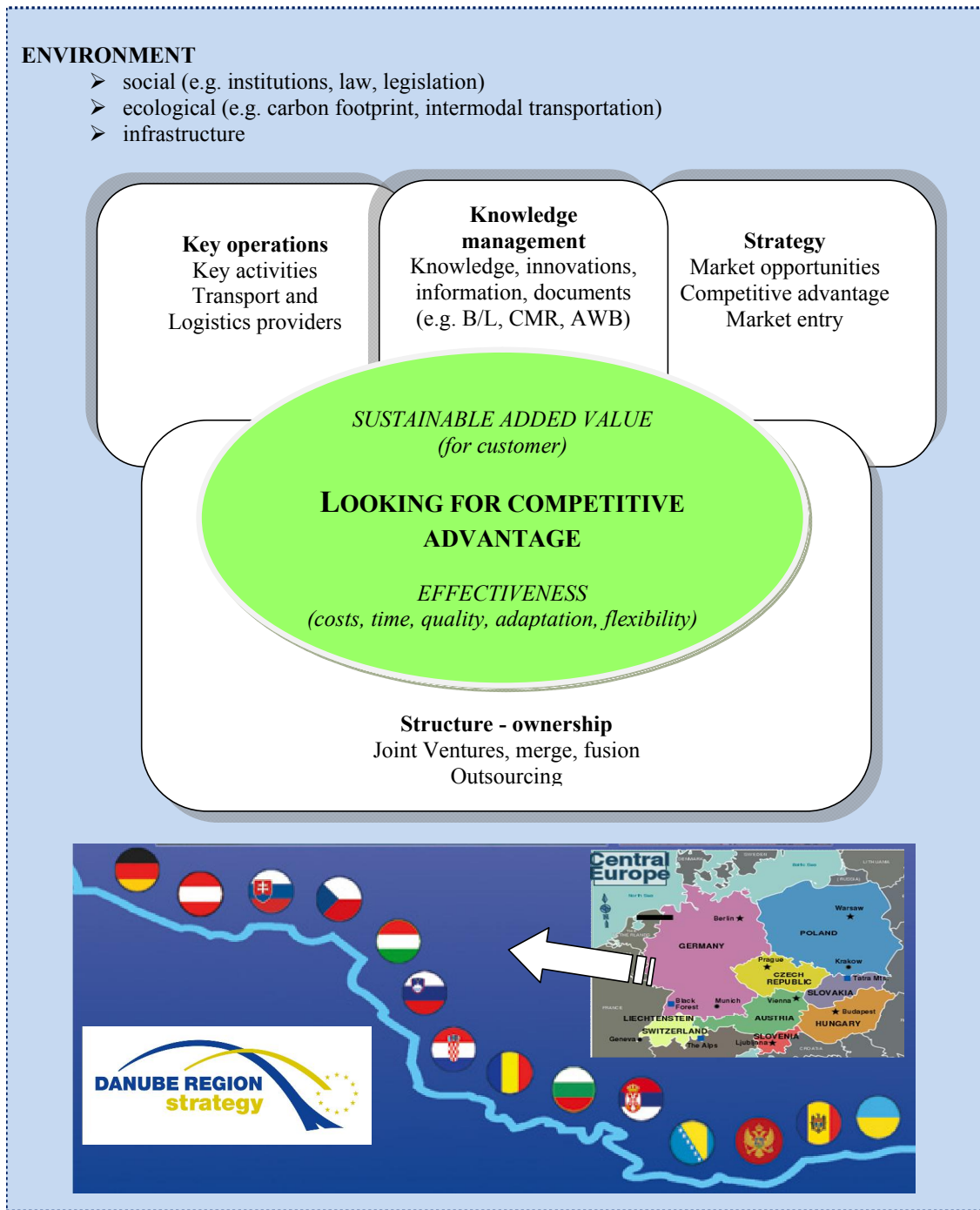
Fig. 1 ESSO Model



Source:http://www.communitiesofinnovation.com/L/Dr_Michael_Lim_%20Business_Model_Knowledge_Creation_and_Innovation_Lecture%209.ppt

Based on this model and its application to the transport and logistics, determinants of adaptation are mainly knowledge, innovation, social and ecological environment which affect not only operational processes in the company themselves, strategy or the ownership structure but ultimately also the value added to the customer of the company while the international transport and logistics is becoming one of the sources of competitive advantage in the means of finding innovative ways of shipment delivery, packaging, adaptation and transformation of traditional supply chains to ecological ones. Ultimately it is about creating the so-called sustainable value added at the micro level (within the enterprise) and at the macro level (within the region - environment that is affected by the legislation, transport infrastructure, etc.), as shown in the following figure.

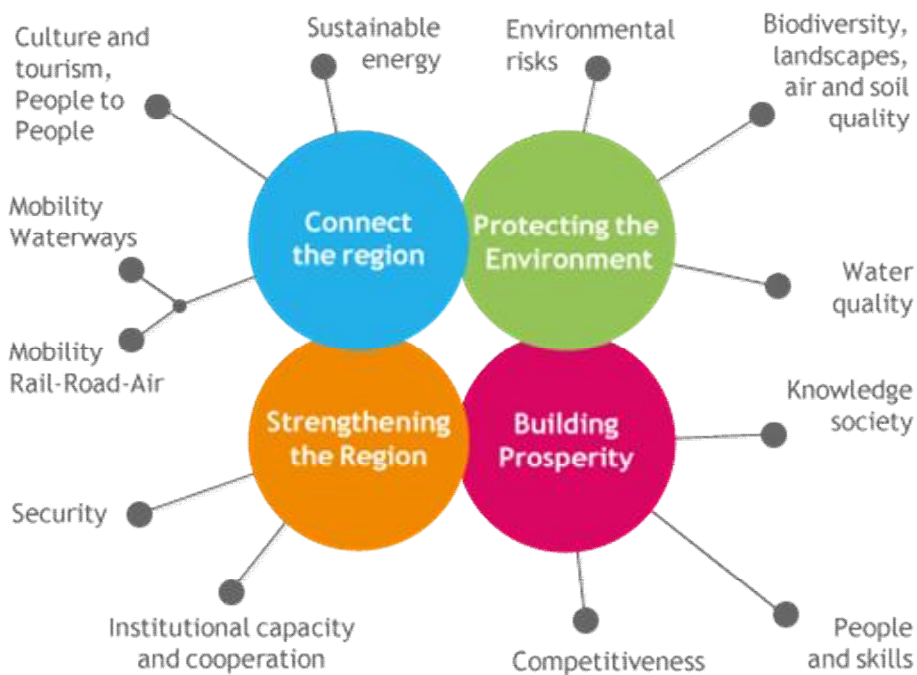
Fig. 2 ESSO Model in transport and logistics – the Danube region in the Central Europe



Source: www.danube-region.eu

Except for the knowledge and innovations, the source of competitive advantage is also the mere allocation of individual parts of the supply chain while the potential in the Central European region represents the area of the Danube region where countries belonging to the first Member States of the European Union and the youngest members are located. A common strategy of the European Union for this region – the Danube Strategy focused on environmental protection or connecting the Danube region (with the goals like for example improving multimodality, inland waterways, etc.) should contribute to strengthening and sustainable development of the region. See figure 3.

Fig. 3 Danube region strategy - Pillars and Priority Areas



Source: <http://www.danube-region.eu/>

Globally, it can be assumed that the deepening of integration and globalization processes intensify the expansion of international trade and the importance of the international transport and logistics. Focusing on a single market or a market segment recedes into the background. The emphasis is on linking and streamlining cooperation based on integration processes or actual geographical location of the countries, i.e. between the member states of the European Union, the countries of Central Europe, or engaging in the promotion and implementation of the Danube Region Strategy. The center of attention, not only at the macro but also at the micro level currently includes cost reduction, innovation and knowledge and ecology.

Conclusion

During the present, still ongoing financial and economic crisis, competitiveness does not represent an aim itself but a means of effective implementation of international trade. One of the main sources of corporate competitiveness is value added.

Deepening of globalization and integration processes is reflected in the focus on the use of foreign funds, placement of goods and services to foreign markets and the creation of global supply chains. These characteristic features have become an impulse for adaptation processes in transport and logistics, strategies and functions themselves of transportation and logistics service providers.

In the period of constantly accelerating pace of technological development and innovation, necessary is the ability of individual subjects to adapt their business to these changes. The ability to respond quickly and adaptation to newly raised conditions of current international environment is becoming an important factor. The individual parts of the economy must be able to react flexibly to the current requirements of international

trade. It is necessary to switch to new processes and products with low energy and raw material demands while respecting the principle of minimizing transport costs.

International transport and logistics, the formation of environment friendly supply chains thus represent a potential source of competitive advantage of companies. One of the possibilities for supporting a sustainable development is the expansion of intermodal transport using inland waterways based on the emphasis of the Danube Region Strategy.

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Destination Audit and its Importance¹

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Abstract

This paper presents a synthesis of several renowned authors who are active in the study of destination management and destination audit. The first part of this paper defines main terms, e.g. audit, destination and destination management. The second part will focus on the key questions related to destination audit. The aim of this paper is to offer an overview of existing knowledge about destination audit and to explain its nature and importance as well as to introduce the process itself of destination audit and its potential contributions.

Key words

destination audit, destination management, DMO

JEL Classification: M42, L83

Introduction

Nowadays, the issue of sustainability is becoming one of the leading themes in society as well as in tourism. Development of tourism must be managed correctly, otherwise it may endanger destination's environment, cause a variety of social and cultural conflicts, as well as alienate the communities that host tourism.

Sustaining tourism as a vehicle for economic development in any destination depends on maintaining destination competitiveness (Jones & Haven-Tang, 2005). The tourism industry is replete with many small to medium sized enterprises. The extent to which tourism development advances economic prosperity and the quality of life of residents, depends significantly upon the actions and success of these firms (Ritchie & Crouch, 2010). The tourists „consume“ destinations as a comprehensive experience, without often realising that each element of the product are produced and managed by individual players. Most service providers are small and medium-sized tourism enterprises which have a wide range of strengths and weaknesses whilst are also characterised by their independent nature (Buhalis, 2000). Apart from small and medium-sized tourism enterprises, there is a variety of other stakeholders who are engaged in fulfilling the functions of destination management.

UNWTO (2007) states the following stakeholders in a tourism destination: National and regional/provincial government, Economic development agencies, Local authorities/government, Town centre management organisations, National Park authorities, Transport providers, Attractions, events and cultural organisations, Accommodation providers, Restaurant, leisure and retail operators, Intermediaries (for example tour operators and conference organisers), Destination representation agencies,

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Media, Local tourism consortia and partnerships, Business support agencies and Skills development organisations.

There are various approaches that help destinations to continuously improve. One of them could also be an approach of destination auditing. According to Beritelli et al. (2004) approach of destination auditing plays a consistent process perspective and integrates the individual steps in the planning levels.

1 Methodology

The aim of this paper is to offer an overview of existing knowledge about destination audit and to explain its nature and importance, as well as to introduce the process of destination audit itself and its potential contributions.

To achieve that goal, the author conducted a literature survey which involves a collection of information from studies that other researchers have made on the subject.

This paper presents a synthesis of several renowned authors who are active in the study of destination management and destination audit.

2 Results and Discussion

The following part of the paper is divided into three subsections. In the first subsection the author presents some approaches on the issue of destination and destination management. The next subsection presents the basic starting points of destination audit. The third subsection is focused on the destination audit process.

2.1 Destination and destination management

According Bieger (2008) a tourism destination is a geographical area, which is chosen by a tourist. This has all the equipment needed for a stay (accommodation, catering, entertainment) and is therefore to be seen and to perform as a competitive unit. Morrison (2013) emphasizes these key characteristics of a tourism destination:

- a geographic area which has an administrative boundary or boundaries,
- a place where the tourist can find overnight accommodations,
- a destination mix is available for visitors,
- a tourism marketing effort exists,
- a coordinating organization structure has been created,
- an image exists of the place in tourist's minds,
- government agencies have introduced laws and regulations,
- there is a mixture of tourism stakeholders.

A destination can be considered as a hierarchy of entities – „destination“, „tourism businesses including SMEs“ and „employee“ –together with the public-sector interventions that support and coordinate the strategic development of the destination to project a

coherent image to potential customers (Jones & Haven-Tang, 2005). For a destination to become a successful tourism destination, a strategic management is needed. Destination management provides so called DMOs (Destination Management Organisations), which perform variety of tasks.

According to UNWTO (2007) destination management calls for a coalition of many organisations and interests working towards a common goal. The DMO's role should be to lead and coordinate activities under a coherent strategy. They do not control the activities of their partners but bring together resources and expertise and a degree of independence and objectivity to lead the way forward. It follows that DMOs must develop a high level of skill in developing and managing partnerships.

Traditionally, DMOs have been defined as destination marketing organizations, however, in the last years, by recognizing that marketing remains the principal purview, there has been an important shift of the DMO's role from the only-marketing orientation to a complete management orientation. It describes the DMO as a "destination developer" by acting as a catalyst and a facilitator for the realization of tourism development from a competitive and sustainable perspective (Presenza, 2005).

2.2 Audit and its application in the tourism destination

A tourism development policy, if grounded in reality, ought to be based upon an audit of the destination and its attributes, strengths and weaknesses, problems and challenges, past and current strategies etc. Without some fundamental data on the significant attractions and resources, historical performance, current visitors, and other vital information, the formulation of a policy framework for developing the destination remains an abstract exercise (Ritchie & Crouch, 2010).

As it has been already mentioned, one of the DMOs tasks is also destination marketing. When defining Destination audit one can find some common features with the marketing audit. Kotler and Keller (2012) define the marketing audit as a comprehensive, systematic, independent, and periodic examination of a company's or business unit's marketing environment, objectives, strategies, and activities, with a view to determining problem areas and opportunities and recommending a plan of action to improve the company's marketing performance.

The overall objective of a destination audit is to improve its performance, competitiveness and sustainability as governed by a vision for the destination (Ritchie & Crouch, 2003). According to Beritelli et al. (2004) there are four dimensions of destination audit which can be examined. They are as follows:

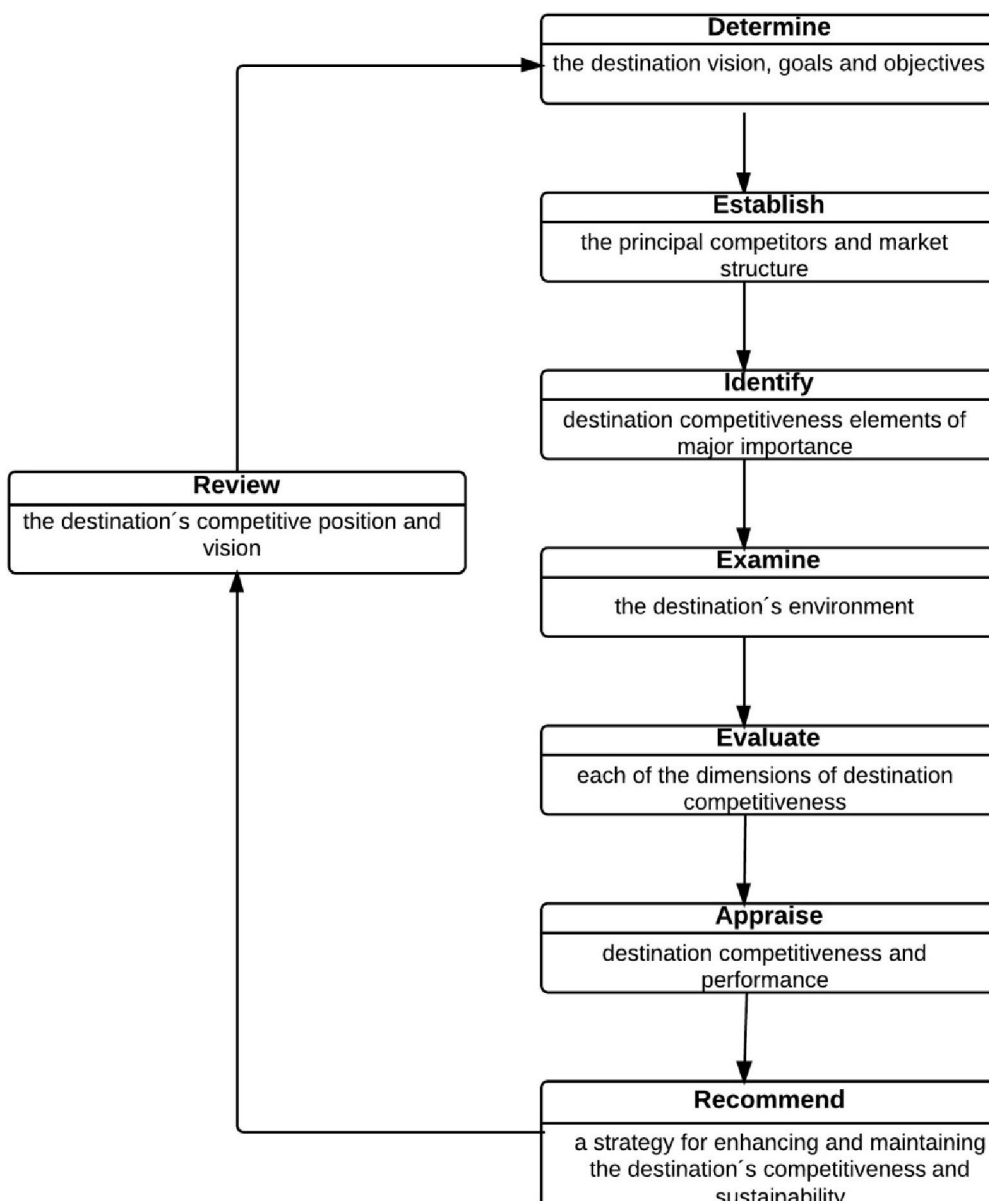
- The premise audit – it examines the assumptions upon which planes of destination are based.
- The efficiency audit – it analyses the planned activities in relation to their effectiveness. It forces the destination to actively reposition in a dynamic environment and to renew itself continuously.
- The process audit – it examines definition of strategies, measures and their implementation.
- The result audit – there are Input-metrics such as number of contacts over the Internet, trade fair, print media etc. supplemented through Output-metrics such as number of calls in the call centre, number of booking, number of complaints and

evaluation of feedback. In addition, operating performance figures must be considered, such as marketing expenses / total expenses, number of overnight stays, degree of internationalization of guests and many more.

2.3 The destination audit process

According to Ritchie and Crouch (2003) the destination audit process consists of eight steps. These are illustrated in Fig. 1.

Fig. 1 The destination audit process



Source: J. R. Brent Ritchie & G. I. Crouch, 2003, p. 254

The first task of the audit is to determine the destination vision, goals and objectives. This is because competitiveness needs to be judged and evaluated against these desired outcomes. Then it is necessary to establish the principal competitors and the market

structure. The comprehensive character of an audit requires all elements of the conceptual model of destination competitiveness and sustainability to be evaluated. However, depending on the destination vision, key competitors and target markets, certain elements of the model may be much more important than others. The next step, therefore, is to identify destination competitiveness elements of major importance. The audit should then pay particular attention to these critical areas.

A very important task of the audit is also examination of the destination's environment. This examination will reveal important environmental trends, changes and developments that could have a significant impact on the destination.

The central part of the audit process is evaluation of each dimension of destination competitiveness as specified in the conceptual model.

In the next step, the auditor needs to appraise destination competitiveness and performance. To the extent possible, the auditor should document the appraisal by linking each element of destination competitiveness to the degree to which each has contributed to or hindered the pursuit of the destination vision. The final two stages in the audit process are to recommend a strategy for enhancing and maintaining the destination's competitiveness and sustainability and to review the destination's competitive position and vision. All recommendations should be actionable and define who or what should assume responsibility as well as what time frame for completion is appropriate.

The destination audit needs a significant degree of impartiality and independence. It is also important that the auditor is very experienced, knowledgeable, competent, and creative in order to adequately evaluate destination competitiveness and to identify courses of action that will improve the destination's prospects (Presenza, 2005).

Conclusion

The destination is an entity whose component parts are interdependent whereby a change in one has ramifications for all of the others (Presenza, 2005). One condition for a destination to be successful is the cooperation of its stakeholders. A significant role is also played by small and medium-sized tourism enterprises.

Destination audit focuses on the examination of environment and processes in destination and results in recommendations that are aimed at improving competitiveness and sustainability of destinations. In implementing destination audit an important thing is that the auditor dispose of high quality information that are basis for determining relevant recommendations. Well defined recommendations must include designation of responsibility for carrying out the action, as well as the time horizon in which it is appropriate to take the action.

Quality destination audit can contribute to the competitiveness of destination, while it should take into account the economic, social and environmental sustainability of destination.

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Customer Experience Management as a New Source of Competitive Advantage for Companies

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Abstract

The paper focuses on Customer experience management (CEM) as a new differentiator aimed at offering customers an outstanding and reliable experience which ties them emotionally and therefore permanently and profitably to a specific company. Organizations have an opportunity to create a competitive advantage by extending their CRM system towards the new hopeful concept called CEM – customer experience management. CEM is about the true interest of organizations in feelings that customers get while interacting with it. If these feelings are positive, they can highly contribute to long-lasting and quality mutual relationship between organization and its customers. In addition to operational concerns CEM deals also with the emotional aspects and thus tries to utilize the hidden potential of CRM.

Key words

customer loyalty, customer experience management, touch points, customer satisfaction

JEL Classification: M31

Introduction

Growing competition and changes in consumer behaviour were the main reasons why organizations began to focus their attention on building relationships with customers. Customer relationship management – a concept originally aimed at managing relationship with customers and thus build up loyalty – began to emerge within business all over the world in the 1970s. However CRM has never fully succeeded in its core mission. Despite the word „relationship“ in its name, CRM has limited itself to search, collect, process and the use of customer related data. In the proper sense, CRM is thus not primarily aimed at building relationships with customers, but at the optimization of business processes and transactions. Despite the fact that CRM has always been more about proper process management than about relationships, it has been somehow sufficient. However current trends make it weaker and weaker. The competition is growing rapidly, customers require more than just satisfying their needs, they are more sensitive to price and their loyalty is increasingly fragile.

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1 Methodology

Defining the role of CEM concept and summarizing its significance, framework and comparing CEM to CRM" is an objective of this theoretical-methodological paper. The paper is the synthetisation of various perspectives on one of the current trend in management of relationships with customers.

2 Results and Discussion

The fact is that every organization has a customer experience, whether it is personal communication with a customer in a shop, talking to customer on a phone, written communication via email or even advertisement in newspapers or commercial on television.

In his paper (Thompson, 2006) claims that customer experience is the customer's perception of interaction with a brand. Both words are very relevant here, because there is no experience unless a customer perceives something via his senses and there is no experience unless a customer somehow interacts with a company. These interactions are generally called "touch points" or "moments of contact". The identification of all touch points is crucial in order to deliver total customer experience thus we will discuss the concept of touch points later in this paper.

Regarding customer experience definition, (Gentle, 2002) add the word reaction here, because interaction between customer and organization or any of its part provokes reaction. According to them this reaction is highly individual and implies the customer's involvement at different levels (rational, emotional, sensorial, physical, and spiritual).

Another author (Verhoef, 2009) extended the definition by introducing the concepts of indirect and direct contact. They define customer experience as: "...the internal and subjective response customers have to any direct or indirect contact with a company. Direct contact generally occurs in the course of purchase, use, and service and is usually initiated by the customer. Indirect contact most often involves unplanned encounters with representatives of a company's products, service or brands and takes the form of word-of-mouth recommendations or criticisms, advertising, news reports, reviews and so forth."

Based on the CRM Guru survey Thompson (Thomson, 2011) derived similar definition characterizing customer experience as: "...the feeling and thoughts resulting from all impressions, tangible and intangible, from anyone or anything representing, directly or indirectly an organization, brand or product."

Another definition is offered by Shaw (Shaw, 2005) who adds the aspects of subconscious perception and customer's expectation. He claims that: "Customer Experience is an interaction between an organization and a customer as perceived through a customer's conscious and subconscious mind. It is a blend of an organization's rational performance, the senses stimulated and emotions evoked, and intuitively measured against customer expectations across all moments of contact."

When defining customer experience, it is inevitable to consider two perspectives of consumer behaviour: the traditional information-processing and decision-oriented approach and the experiential perspective. The information-processing and decision-oriented approach claims that the consumer is engaged primarily in goal-directed activities such as searching for relevant information, considering options and deciding whether to

buy a particular product or service or not. On the other hand the experiential perspective emphasizes emotions and non-utilitarian aspects of consumption, where value resides not in the object of consumption but in the experience of consumption. The experiential approach includes the flow of fantasies, feelings, and fun where customer's behaviour is not exclusively goal-directed. This involves viewing customer experience from a perspective of normal routine actions and from more emotional experiences as well.

It is important to realize that the customer experience involves the total experience, including the search, purchase, consumption, and after-sale phases of the experience and cannot be reduced just to the sole shopping experience. This is also to be claimed by four major stages of customer experience, namely the pre-consumption experience, the purchase experience, the core consumption experience and the remembered consumption experience or nostalgia experience. The pre-consumption experience involves searching, planning, day-dreaming or imagining the experience. The purchase experience comprises payment, packaging, the encounter with the service and the environment etc. The sensation, the satiety, the satisfaction/dissatisfaction, the irritation/flow and the transformation together create the core consumption experience. The last stage called the remembered consumption experience or the nostalgia experience is based on interpretations of events and on arguments with friends about the past and leads towards the classification of memories.

Today organizations are "touching" customer via various channels. Thus it is important to realize that customer experience concept may also involve multiple retail channels and repeated experiences within every single channel. Besides that companies have to face the fact that customer experience is not only created by those features which retailer can directly control (retail atmosphere, assortment, price), but also by features that are outside of the retailer's control (e.g., influence of others, purpose of shopping).

When defining customer experience it is inevitable to mention Schmitt's perspective. Schmitt identified five different types of customer experiences, so called "strategic experience modules "SEMs" (sense, feel, think, act and relate), that are conveyed to individuals through "experience providers "ExPros" such as communications (e.g. advertising, PR, campaigns), co-branding (e.g. sponsorship, partnership, product placement in movies, event marketing), product presence (display, packaging, design), spatial environments (e.g. design of offices or sales outlets), web sites and people (salespeople, call centre operators). Interaction of SEMs with ExPros generates what Schmitt calls the 'Experiential Grid'. This grid is designed to help organizations to be able to consider all the means in which experiences can be induced on actual or potential customer.

2.1 Towards the perfect customer experience

A decision to provide customers with great customer experience has to come from the top managers and be widespread over the whole company. Successful organizations that are considered to provide their customers with superior customer experience are aware of this fact and anchored it into their mission statements. E. g.: Dell computers focuses on delivering the best customer experience in the markets where it serves, Toyota's mission statement is to sustain profitable growth by providing the best customer experience and dealer support. It is obvious that these successful companies had to do more than

incorporating perfect customer experience into their mission. Thus in the next section we offer several outlines on how to build such an experience.

Building memorable customer experience is a challenge, because experience is an intangible quality that varies among different people. Experiences are built around feelings, emotions, colors, human contacts, branding etc. A great experience is not only the result of better product features or functions or better service, but the result of how do people feel. In order to be able to design a great customer experience and consequently to manage it properly it is necessary to learn to see the world with different eyes, to understand customer's unique perspective.

The main components of perfect customer experience are following:

- Corporate culture translated by employees: Experiences are made when employees interact with customers, whether it's in a store, a call-centre, or a trade show. A happy employee might make a happy customer! Therefore, organizations need to understand how a corporate culture and the right experience for its employees influence the relationships they want with customers.
- Service: Service is a critical component of experience. Providing a good service requires empathy, sensitivity, responsibility and caring. It also requires the right information delivered (probably by technology) at the right time; the right products; and the authority to do the right thing.
- Technology: In-store technologies such as Wi-Fi, online access to a company as part of a multi-channel strategy, and related emerging technologies are enhancing products and services and also facilitating greater experiences.
- Architecture, Design, Space: When the design of a space is consistent with the type of experience the company wants to deliver, the store can help to build brand awareness and customer commitment.
- Marketing, Brand, Promotions: The retail store experience is one part of the brand, and so are the packaging, advertising, and promotions.
- The Critical Intangible, Trust: Most of the factors that matter most are intangible, and the very first thing on this list is trust. Do your customers trust you? You'd better know why, or why not! If your customers had a choice, would they choose your company or the competition? What tools are you giving your employees to build trust with customers? The sad truth is that most companies aren't giving their employees any tools for building trust.

2.2 CEM as a new differentiator

If companies want to stay competitive, they have to focus on their competitive advantage, in other word on their differentiator. Original differentiator based on quality or functionality is no longer considered to be competitive advantage. Quality and functionality of the product are today a must when operating in the market. Around 1970s services became a new differentiator. According to Christopher et al. (Palmer, 2010), services became generic as well and in 1980s, the quality of ongoing relationships became a new differentiator. Experience may be the next step in differentiators' evolution, mainly in markets where relationships were ceased to be a point of competitive differential advantage.

The question arises here. Why did all differentiators fail? Due to the mass production, huge competition and supply that exceeds demand no wonder that tangible design

features are no longer considered to be differentiators. You cannot build your competitive advantage on something what is offered on casual basis. The same applies to services that also became generic. As we have mentioned above, relationships as a new differentiator followed. The concept called CRM – originally aimed at building and enhancing relationship between company and its customers - was formed. “Many academics and practitioners have argued that customer relationship management has not created the expected level of value for customers and profitability for organizations.” But according to many researches CRM did not succeed in its key role and in many cases ended up collecting customer’s data that has never been used. CRM did not bring such effect that marketers expected. Customer experience management may be an integrating framework that overcomes the theoretical and practical limitations of customer relationship management.

Relationship marketing remains challenged by evidence that customers who are satisfied with their relationship may nevertheless not return to a service provider. Why is it so? Are customers so spoiled that being satisfied is not the reason to stay loyal? The answer is yes. Customers today become more emotional. Organizations are more and more realizing that they have to go beyond being rational to how their customers feel and perceive. The true is that every organization provides a customer experience. But the question here is to what extent they design it and every detail of it.

In order to survive and stay competitive in the present marketplace companies were forced to develop the new sustainable differentiator, a new source of competitive advantage.

2.3 CEM compared to CRM

Customer relationship management did not fully succeed in delivering its promise. There are several reasons for that identified by experts, practitioners and researchers. They see the main problem in misunderstanding of CRM’s basic principle saying that CRM is a complex business system where technology plays only supportive role and cannot build relationships only by itself. Another problem caused by an organization is deploying CRM without depth user adoption. This causes that users consider CRM systems to be very complicated and not delivering promised benefits for them or their work. Such mistakes are caused by organizations; however after recognizing them they can be easily removed in order to improve CRM within an organization.

CRM is considered to be a mean to improve relationships between organization and its customers, but instead of forging better relationships, organizations tend to implement databases and automated processes. Acquiring data and information about customers is necessary, but the word relationship has been lost somewhere along the road. For several years everything has been all right, companies collected data, enlarged databases, some of them ran loyalty programs, introduced info lines to ensure satisfaction of customers etc. However, the evolving market situation and new trends made clear that this is not enough to be able to retain customers. Today, experience matters.

Customers today request more than excellent products and services. They demand an outstanding and unique experience every time (Hlásna, Horváth & Köksal, 2013). And while satisfaction is definitely a necessary prerequisite, it is not sufficient for real customer retention – only satisfaction and loyalty in combination really creates a retained and sustainable customer base.

We assume that even if CRM did succeed in fulfilling its main objectives, it wouldn't be enough to serve as a competitive advantage in the current market situation where experience matters. An IBM study from 2005 proved that, "to create a new and lasting source of competitive advantage, businesses must manage the customer experience." However we also assume that CEM could not be implemented without properly mastered CRM, because CRM represents the right rational hemisphere and CEM the left emotional one. And organization as a body needs both of them. But what exactly is the relationship between CRM and CEM? Some of the experts see Customer experience management as an extension of Customer relationship management to provide a true customer focus. At its highest level, CRM gathers the information and insight that is analyzed against products and service to find optimum opportunities to sell, CEM is the mechanism by which the customer is engaged to optimize the potential customer loyalty and long-term value that is defined by CRM. The customer experience is the emotional part of any transaction (Thomson, 2006).

The understanding of CRM and CEM is often explained through difference in orientation of these concepts. CRM is believed to be more clearly focused on customers' value to the enterprise. CEM on the other hand brings in the new dimensions of "customer emotions" and "experiential" products. However, customer emotions and experiences are both values that customers receive from the enterprise. CRM projects do not usually consider such things, but that is a mistake. "CRM falls short of the emotional connection that is at the heart of Customer Experience Management."

Another approach is that CEM is about managing the value proposition as the customer perceives it, while CRM is concerned with maximizing the revenue and value to the company." Based on the loyalty research there is a linkage between the customer's perceived value and loyalty and the company's revenue and profits. But in practice, companies focus more attention on the ends (revenue and profit) and ignore the means (the customer's value proposition). Organizations often think that CRM will automatically create the customer experience, but it's just a tool not. Nowadays in times of huge competition and "spoiled" customers who require more and more attention in return to low loyalty, companies should understand that customers are valuable assets and require high levels of attention, investment and value.

CEM is not a technology or IT platform which stores or tracks customer information or interaction data. It goes well beyond that by giving a company a holistic view through direct customer feedback from the various touch point experiences as well as their overall retention issues.

The key to success in building loyalty and growing business is to make a connection with customers that transcends the basic functional value they offer.

Where many current marketing strategies are channel-specific and weak, customer experience strategy is holistic and integrated. Where the majority of current advertising is loud and fleeting, rich customer experiences and interactions are personal and immersive. Where brand communication is designed today to speak about the benefits of a product or service, customer experience design improves the offering itself.

CEM is about considering the customers' perspective in everything companies do and every decision they make, in order to ensure a mutually beneficial relationship and provide customers with valuable experiences.

Conclusion

However, organizations have an opportunity to create a competitive advantage by extending their CRM system towards the new hopeful concept called CEM – customer experience management. CEM is about the true interest of organizations in feelings that customers get while interacting with it. If these feelings are positive, they can highly contribute to long-lasting and quality mutual relationship between organization and its customers. In addition to operational concerns CEM deals also with the emotional aspects and thus tries to utilize the hidden potential of CRM.

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Some Legislative Changes in the Process of Establishing Companies

Dušan Holub¹ - Ildikó Némethová²

Abstract

The amendments to the Commercial Code, with effect from 2012 to 2014, have introduced significant changes to the process of establishing companies. In terms of the amended regulation § 105b of the Commercial Code, a limited-liability company cannot be established by an entity who has tax arrears or arrears of duties. Major changes include the obligation to put monetary deposits or pay their parts prior to the establishment of a company to a special separate bank account or a foreign bank branch. Founders of a limited-liability company have to envisage changes in the establishment process, which is becoming more and more complex. The main question is how to define the objectives of legal regulations for companies in Europe. Traditionally, substantial attention was paid to the protection of creditors and shareholders, however, this approach has become inadequate, and special attention has been shifted to the support of efficiency, competitiveness, and interrelatedness of companies by legal regulations in European dimensions.

Keywords

commercial code, limited-liability company, monetary deposit, tax arrears

JEL Classification: K22

Introduction

The amendments to the Commercial Code, with effect from 2012 to 2014, have introduced significant changes to the regulations of this act with regard to companies and cooperatives (Act no. 197/2012 Coll.), the establishment of limited-liability companies, the rights and responsibilities of partners of limited-liability companies (Act no. 246/2012 Coll. and no. 440/2012 Coll.), and the obligation to verify the authenticity of the signature of the President of the General Assembly in the minutes of the General Assembly (and the decisions of a single partner) in binding decisions regarding the functioning of a limited-liability company (Act no. 9/2013 Coll. and Act no. 357/2013 Coll.), with effect from the 1st December 2013, has introduced the obligation to put monetary deposits or to pay their parts prior to the establishment of a company to a special separate bank account or a foreign bank branch (§ 60 Article 2 CoC). This paper aims to offer legal analysis to some of the above-mentioned regulations.

1 Methodology

In terms of methodology this socio-scientific and theoretical paper applies universal scientific methods, mainly the methods of analysis and synthesis, induction and deduction, abstraction and comparison, and generalization. Philosophical methods of observation

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have been utilised for the generalisation of specific propositions. The method of scientific abstraction has been used to distinguish the irrelevant and incidental factors from fundamental and regular propositions. The method of the unity of past and present has been applied to examine the instances of the past through present knowledge, and the historical method has been exploited to understand and then interpret particular legal situations.

This paper, with reference to the restrictions introduced by the amendments to the Commercial Code and Tax Code in the Slovak Republic, highlights the new objectives of legal regulations of companies, which aim to eliminate barriers to trade among countries, promote the efficiency of their operations, and support companies to compete and cooperate at European level.

2 Results and Discussion

2.1 Restriction ex lege – tax administrator’s approval to establish a limited-liability company by an entity who has tax arrears or arrears of duties

A legal restriction on the establishment of a limited-liability company has been introduced to the Commercial Code on the basis of Act no. 246/2012 Coll., with effect from the 1st October 2012, and on the basis of Act no. 440/2012 Coll., with effect from the 1st January 2013. This particular legal regulation is an integral part of several measures to secure the legislator, to prevent tax fraud and irrecoverable tax arrears. These measures aim to secure against treacherous taxpayers. A legal restriction has been introduced into the process of establishing a limited-liability company to prevent entities that have tax arrears from establishing companies in the future and from incurring irrecoverable tax arrears. These measures aim to secure against treacherous taxpayers.³ The aim of the amendment, based on the explanatory report, is to guarantee that these measures would not act as administrative barriers to the development of activities of legally functioning business entities. The estimated number of limited-liability companies that have value-added tax arrears is approximately one hundred and sixty thousand. VAT arrears account for more than € 1.5 billion in these companies, and irrecoverable arrears account for more than € 1 billion from this amount.⁴ The above-mentioned restriction is embodied in regulation § 105b on the impossibility of establishing a limited-liability company by an entity who has tax arrears or arrears of duties. The hitherto legal regulation was inconsistent and the establishment of a limited-liability company by a tax debtor was not perceived as a significant problem. The amended Commercial Code, with effect from the 1st October 2012, has brought about considerable changes, and ex lege or by law, the establishment of a limited-liability company by an entity in tax arrears has become

³ The explanatory report to the amendment of Act no. 246/2012 Coll., amending and supplementing Act no. 222/2004 Coll. on value added tax, as amended: “The estimated number of limited-liability companies, which have VAT arrears, is approximately one hundred and sixty thousand. VAT arrears account for more than € 1.5 billion in these companies, and irrecoverable arrears account for more than € 1 billion from this amount.

⁴ The explanatory report to the amendment of Act no. 246/2012 Coll., as amended, amending and supplementing Act no. 222/2004 Coll. on VAT, as amended, regulating, and amending and supplementing certain acts.

forbidden. Act no. 440/2012 Coll., supplementing Act no. 563/2009 Coll. on tax administration, amended regulation 105b of the Commercial Code, with effect from the 1st January 2013, to ensure that a limited-liability company cannot be established by an entity that has arrears of duty.

The legislative changes in the Commercial Code activated the supplementation of regulation § 54 of Act no. 563/2009 Coll. on tax administration (Tax Procedure Code), as amended, with effect from the 1st October 2012, with reference to the issue of the approval by a tax administrator for registration in the Commercial Register. In compliance with § 54 Article 1 of the Tax Procedure Code, the tax administrator, either the tax office or the customs office, issues, at the request of the taxpayer, (the founder of a limited-liability company) within three working days of the submission (within five working days from the 1st January 2013), a written approval for registration in the Commercial Register, only if it has no tax receivables from a tax entity and the tax entity has no tax arrears in excess of € 170. The above-mentioned regulation has determined the amount of tax arrears up to € 170, if this amount is exceeded, the approval of the tax administrator cannot be issued. Although regulation § 105b of the Commercial Code does not specify the amount of tax arrears, its existence is a legal impediment to the establishment of a limited-liability company, regulation § 105b of the Commercial Code is indirectly supplemented by regulation § 54 Article 2 of the Tax Procedure Code to ensure that the approval of the tax administrator for registration in the Commercial Register will be issued in the case of tax arrears up to the amount of € 170⁵. The founder, who is not a taxpayer under the Tax Procedure Code and specific regulations, is obliged to serve an affidavit, in compliance with regulation § 105b, to prove that he is not obliged to submit the tax administrator's approval under specific regulations. Regulation no. 25/2004 Coll. does not require the authenticity of a signature on the affidavit. After the payment of tax arrears, it is possible to submit a new application for approval, and the tax administrator is repeatedly required to review the new application for approval, whereas the issuance of a written approval for registration in the Commercial Register by the tax administrator is not subject to an administrative fee. Every founder, either a physical or a legal entity, is obliged to apply for approval. The taxpayer, either a physical or legal entity (even a foreigner), applies for a written approval in compliance with the Tax Procedure Code or specific rules. The application must be independently submitted to a relevant local tax administrator.⁶

⁵ If the founder is not a taxpayer under the Tax Procedure Code and specific regulations, the affidavit is served to prove the fulfilment of conditions under § 105b, namely that the founder is not obliged to submit the tax administrator's approval pursuant to special legislation.

⁶ The tax administrator's approval is required, under § 54 article 5 of Act no. 563/2009 Coll. on tax administration, to transfer majority ownership interests in a limited-liability company. The tax administrator is also required to confirm that the applicant does not have any tax arrears in excess of € 170. This approval is then attached to the application for changes in the registration of partners in the Commercial Register due to the transfer of majority ownership interests. Since the 1st October 2010 it has become necessary to distinguish between the transfers of majority or minority ownership interests. In the case of minority ownership interests, under regulations § 115 Article 9 of the Commercial Code, it is required to attach to the application for registration in the Commercial Register a written statement of the partner as transferor, and of the transferee of minority interests, that they do not have any obligation, under § 115 Article 5, to submit the tax administrator's approval. The tax administrator's approval is not required in the transfer of majority ownership interests to a foreign entity under regulation § 115 Article 8 of the Commercial Code, regardless of whether he acts as a transferor or transferee of the ownership interests. If a foreign entity acts both as transferor and transferee of ownership interests, then the submission of the approval of the tax administrator is not required. If a foreign person acts either as transferor or transferee of majority ownership interests, then the approval of the tax administrator must be submitted by the domestic entity, who is either

The above-mentioned amendment to the Commercial Code is associated with a regulation which determines the standard forms of applications for registration in the Commercial Register and the list of documents needed to attach to applications for registration. In compliance with the above-mentioned regulation, with effect from the 1st October 2012, the approval of the tax administrator is a mandatory attachment to applications for the registration of a limited-liability company in the Commercial Register or to applications for the registration of transfers of the majority ownership interests; or a written affidavit, proving that the approval of the tax administrator is not requested. The amendment to § 11 Article 2 of the regulation on point h) enables the legislator to adjust legal requirements in compliance to regulation § 105b of the Commercial Code, as amended by Act no. 246/2012 Coll.

The legal regulation on limited material control exercised by the Registry Court in the submission of applications for registration in the Commercial Register does not correspond with the mandatory requirement for the establishment of a limited-liability company by an entity, whose tax arrears do not exceed € 170. Thus the Registry Court is not responsible for any material review of the fulfilment of tax obligations. The lack of material control over the fulfilment of obligations under § 105b is explained by the unconnected databases of the Commercial Register and the tax administrator, and therefore by the factual impossibility of objectively verifying the fulfilment of obligations by the Registry Court. Thus the verification of fulfilment involves the formal control of mandatory attachments, i.e. the tax administrator's approval, or the affidavit, or other requirements under § 6, and et seq Act no. 530/2003 Coll. on the Commercial Register.

Regulation § 105b of the Commercial Code implies that the above-mentioned legal restriction applies exclusively to the establishment phase of a limited-liability company. Therefore, it is believed that if the founder or partner incurs tax arrears after the establishment of a limited-liability company, this cannot be a reason for the liquidation of the company under § 68 Article 6 point c)⁷ of the Commercial Code, since regulation § 105b of the Commercial Code on the process of establishing a company needs to be satisfied. Regulation § 105b does not define those entities who are not subject to the approval of a tax administrator and whose responsibility is replaced by the submission of an affidavit claiming that the entity does not have such an obligation. The same objective is pursued by regulations § 105b and § 115⁸ of the Commercial Code, and therefore, due to the analogy between regulations § 115 and § 105b of the Commercial Code, the approval of a tax administrator is replaced by an affidavit, both in the case of entities who are not taxpayers under the Tax Procedure Code and specific regulations, and in the case of foreign individuals or founders of a limited-liability company. It is impossible to prevent

the transferor or the transferee. In all of these exemptions from the submission of the tax administrator's approval to transfer majority ownership interest, however, Article 9 of the regulation requires the submission of a written statement of the partner, or the transferee, that he is not obliged to submit the tax administrator's approval. In the case of transferring majority ownership interests, if the transferor or transferee is not a taxpayer under the Tax Procedure Code, the tax administrator's approval is not required, but there is an obligation to submit a written statement, either by the partner or transferee, to verify that he is not obliged to submit the tax administrator's approval.

⁷ Preconditions for the establishment of a company have been destroyed.

⁸ § 115 Article 6 of the Commercial Code: "If a company has no obligation under this Act to submit an application for changes for the registration of partners in the Commercial Register together with the approval of the tax administrator under a separate law, a written statement of the partner and the transferee needs to be submitted, proving that they have no obligation under this Act."

situations in which the submitted affidavit does not correspond to the facts.⁹ The Registry Court does not have the possibility of controlling the accuracy of the affidavit. Responsibility for the truthfulness of this statement is assumed to the founder and the submitter of the application for the registration of data in the Commercial Register under § 5 Article 6 of Act no. 530/2003 Coll. on the Commercial Register. The identification of incorrectness after registration would indicate failure to comply with the requirements of establishing a company. The Institute of Invalidity, under § 68a of the Commercial Code¹⁰, deals with faults occurring in the process of establishing a company. According to Business Alliance of Slovakia such legal regulation does not prevent rogue entrepreneurs from breaching the law. Thus the purpose of this legal restriction may be ineffective, because entrepreneurs may escape the system by the help of foreign individuals. The future solution lies in the creation of a public list, i.e. a blacklist of entrepreneurs who fail to meet the obligations of the law, whether it includes paying taxes or levies, and they should have limited opportunities to establish any business company or become statutory authorities of companies, or participate in public offers.

2.2 Payments of monetary deposits of a limited-liability company to a bank account

Act no. 357/2013 Coll., with effect from the 1st December 2013, has introduced the obligation to put monetary deposits or pay their parts prior to the establishment of a company to a special separate bank account or a foreign bank branch (§ 60 Article 2 of the Commercial Code), which is managed by a deposit administrator.¹¹ It is no longer possible, since the 1st December 2013, to pay monetary deposits or their parts prior to the establishment of a company to the administrator of deposits, but only to a special separate bank account. In compliance with the new amendment, it is possible, prior to the establishment of a company (i.e. prior to registration in the Commercial Register) to handle funds on a bank account only in three legally permitted cases:

- to cover costs related to the formation and establishment of a company in compliance with the memorandum of association,
- to return monetary deposits or their parts with interest under § 166 Article 2 CoC (i.e. only if shares which exceed the proposed registered capital are underwritten),
- to return monetary deposits or their parts, if the company is not established.

9 E.g. an affidavit proving that the founder is not obliged to submit the approval of the tax administrator, even if he has been assumed such responsibility and the approval has not been issued because of the existence of tax arrears.

10 As this deficiency, in the process of establishing a company, is not mentioned in the mandatory regulation under § 68a Article 2 as a reason for the invalidity of a company, and due to restrictive interpretations of the reasons for invalidity, such contradiction between the affidavit and reality at registration does not lead to the annulment of the company.

11 Under the explanatory report on Act no. 357/2013, the purpose of the Act is, inter alia, the partial implementation of the directive of the European Parliament and of the Council 2012/17/EU, dated on the 13th June 2012, which amends and supplements the directive of the Council 89/666/EEC and the directives of the European Parliament and of the Council 2005/56/EC and 2009/101/EC, with regard to the interrelatedness of central registers, commercial and company registers, and the implementation of task B.1. in the resolution of the Government of the Slovak Republic no. 235, dated on the 31st May 2012, within the scope of provision no. 22 of the Action Plan on company law to combat tax fraud in the years 2012 to 2016.

After the establishment of a company, funds do need to be deposited on a bank account; but, they can be transferred to the cash register of the company. The amendment does not stipulate that the account holder must be a company or the administrator of deposits. In practice, the administrator of deposits serves as the account holder prior to establishment, however, after establishment, the company becomes the account holder, mainly because administration requires real access to funds from monetary deposits by the administrator. Thus it is necessary for the administrator of deposits to have the rights to handle funds available on the account.

The applicant responsible for registration in the Commercial Register is required to prove the payment of monetary deposits or their parts by a special separate bank account statement, which is provided by the administrator of deposits. According to a specific part of the explanatory report, the term "special separate account" was used to prevent the submission of the same bank account statement for the registration of several companies in the Commercial Register. The Registry Court should receive, in the case of non-monetary deposits, both an application for the registration of the company in the Commercial Register and a written declaration of the administrator on the payment of the deposits, and, in the case of monetary deposits it should receive a special separate bank account statement indicating that:

- Bank account, to which monetary deposits or their parts are paid, has only been provided for the given company¹².
- Individual founders have paid their deposits at the amount specified in the memorandum of association.

Conclusion

The legal restriction, referring to the tax administrator's approval for the establishment of a limited-liability company by an entity that has tax arrears or arrears of duty, pursues a clear objective, i.e. to prevent tax fraud or irrecoverable tax arrears. The statement on the absence of arrears should be submitted by both Slovak and foreign entities, and should be an obligation for all companies controlled by the partners. At the

¹² This should be proven as follows:

- a) The bank account statement should only refer to a particular company. For example, the special separate account holder is the company itself. It used to be difficult to open a bank account for a newly established company, because banks fought against the opening of bank accounts for unregistered companies. Or the bank account statement should explicitly indicate that a special separate account has been provided for the purpose of paying deposits or their parts by a particular company. Or the bank account statement should provide a report to the recipient on the payment of monetary deposits or their parts after establishment, this report should be provided in the order to pay or to deposit funds on the account by every founder.
- b) The bank account statement and the affidavit of the deposit administrator should indicate that it is a separate special deposit account provided by the deposit administrator for a particular company under § 60 Article 2 of the Commercial Code. This would mean the fulfilment of the requirement of the Commercial Code to prove the payment of monetary deposits or their parts prior to the establishment of a company, and the Registry Court should have no reason for rejecting the application for registration in the Commercial Register. However, contradictory practices cannot be excluded.

same time, entrepreneurs who do not fulfil their obligations by law, whether it refers to tax or levy payments, should have limited possibilities to establish companies, to act as statutory authorities of companies, or to participate in public offers. This would guarantee greater regulatory efficiency and consistency.

The obligation to put monetary deposits or to pay their parts prior to the establishment of a company to a special separate bank account involves a threat that after establishment these funds would not be deposited on the account, but they would be transferred to the cash register of the company. With respect to this fact, the obligation to pay monetary deposits or their parts to a bank account prior to establishment has not improved conditions for creditors.

Legal regulations in the European Union seek to reduce the disparities between national legal systems and moderate the efforts of Member States to retain barriers to the entry of foreign entrepreneurs and investors to their market and to domestic companies. The legislation of the European Union contributes to the reinforcement of legal certainty for investors, and the management of risks, which are the results of the activities of companies, such as their formation and entry into existing companies in the individual states.

The main objective of the European regulation of companies is to eliminate tension and obstacles caused by internal market rules and the creation of conditions in which companies will be able to pursue their business activities in adequate economic and legal environments in the European Union.

The main issue is how to define the objectives of regulations of companies in Europe. Traditionally, the protection of creditors and partners used to be one of the central concerns, however, it has turned out to become inefficient, and thus the legal regulation of commercial law should promote the efficiency of companies, their ability to compete and their interconnectedness in European dimensions. Barriers to entrepreneurship in individual states, and obstacles to cross-border cooperation should be removed by means of legal regulations.

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Impact of Cultural Differences between the Czech and Slovak Consumer Shopping Behaviour in the Changed Economic Conditions¹

Valeria Honaizer Svobodová²

Abstract

In the global economy we can talk about globalization of production factors or about the globalization of the final consumption products. In the case of globalization, the manufacturing products, it is protruding to the fore problems related to cultural differences, and we can talk about the globalization characterized by sufficient resources. A different situation is encountered in the field of globalization of final products. For products of final consumption, each national market can be considered individually, culturally and historically distinct presence with greater domestic competition and in many cases in terms of the differences in taste, in the preferences, values, educational level etc. The main objective of our research is based on an interdisciplinary approach to identifying the impact of cultural differences between the Czech and Slovak consumers in the purchase decision and its sensitivity to changing economic conditions. The problem studied is based on the principles of value paradigms, and the author tries to characterize the diversity of market research in this plane.

Key words

intercultural, cultural dimensions, value orientation, international marketing, white goods, macroeconomic indicators

JEL Classification: D11, D13, D12

Introduction

In the global economy, we can talk about globalization of production factors, which is provided mainly through transnational corporations (TNCs), with strong dominance in the markets for materials and manufacturing products, where they can most effectively use its comparative advantages of the countries (availability of resources, cheap labour, economics of education etc.) and also about the globalization of final consumption products - which are intended for final consumers. In the case of globalization the manufacturing products protruding to the fore problems in terms of cultural differences and we can talk about the globalization characterized by sufficient resources. The different situation is encountered in the field of globalization of the final products. For products of final consumption each national market can be considered individually, culturally and historically distinct presence with greater domestic competition and in many cases the differences in taste, in the preferences, in values, educational level etc.

Currently the consumer when purchasing goods does not address only the product itself and not selected solely on the basis of the known formulas "value for money", but decision-making process influenced by many other factors such as the amount of household income, location and form of sale, payment, ancillary services offered by dealers and others. In addition to "brick and mortar" stores greatly develops online

¹VEGA no. 1/1057/12 – Solution to the debt crisis in the monetary (not fiscal) Union and factors of future deepening crisis in Europe and Slovakia

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purchases via Internet sales. For many consumers this form associated with the purchase of the comfortable buying from the living room of their home, for others is a big risk. Similarly, technological progress is unstoppable at this time. From year to come to market various innovative and new products that bring with them modern designs, enhanced technology, products with higher power efficiency and multifunctionality.

The main objective of our research is based on an interdisciplinary approach to identify the impact of cultural differences between the Czech and Slovak consumers in the purchase decision and its sensitivity to changing economic conditions. Our research is based on the value paradigms and try to characterize the diversity of market research in this plane. We want to point out the principles that affect different assessment of reality, a different way of interpreting, thinking and behaviour of these otherwise very nearby nations.

1 Methodology

To identify the behaviour of consumers when buying white goods in Slovakia and the Czech Republic are based on available statistical data. In examining cultural differences are based on the measurement results G. Hofstede's cultural dimensions. When we take into account the interpretations and key macroeconomic indicators and structure household expenditures of these countries.

We found significant differences in the behaviour of the Czech and Slovak consumers when buying goods large and small home appliances. Our assumption that differences in consumer preferences is affected not only the economic situation in the country, but also certain cultural practices. Often we come across a unified approach marketing activities in the markets of the Czech Republic and Slovakia the effects of these activities are not always the same.

2 The importance of culture on consumer behaviour

Consumer behaviour is a behaviour that consists of cognitive and affective interactions with the surrounding people. Knowledge and emotions create mental consumer response to stimuli and events in the area. Just consumers' behaviour and actions are observable for marketing an important examination. Thinking and feeling every consumer must be reflected in certain proceedings if the consumer is a party to the exchange and has implemented a purchase. Consumer behaviour is therefore a dynamic process, where all the elements that make up as well as the entire society is constantly changing. I also intend to identify the needs and desires of customers, which obviously differ between consumers in those groups. Kotler wonders: "What influences consumer behaviour?"(Kotler & Keller, 2007/212). This question seeks an answer in the form of cultural factors, social factors, personal factors and psychological processes. Cultural factors can be considered as an important factor that affects human behaviour in society. Shaping needs and consumer's aspirations and their satisfaction is influenced by nationality, religion, and geographical and historical backgrounds. Murphy defines culture as "a complete system of meanings, values and social norms governing members of the society and socialization through which are passed on to future generations"(Murphy, 2004/46).

By Kameníček we live in a kind of economic and social environment and at the same time and social environment significantly affects any of our decisions. It adds that "the impact of social environment on our decision but it is difficult to measure. However, we

can try to affect this effect using ordinal variables and through the model. The starting point we may be factual circumstances of the decision. To follow the order of the scale of the individual phases of life, lives the first social environment to which a person generally meets family"(Kameniček, 2003/179).

Hofstede (2007), who examined the various cultural differences in management on the basis of empirical research compiled quantitative indices and defined criteria such as inequality, insecurity, relationship of individual versus group action of men and women in society and the relationship to the future, which, according to him, common to all companies and cultural differences must be examined in the following basic dimensions:

- Power Distance Index (PDI)
- Uncertainty Avoidance Index (UAI)
- Individualism versus Collectivism (IDV)
- Masculinity versus Femininity (MAS)

Hofstede's team recently extended by cultural differences on the other two dimensions (Pragmatic versus Normative and Indulgence versus Restraint), but our research will be based on the four original values.

3 Economic indicators of Slovak and Czech households

While in 2007, Slovakia has achieved annual growth of GDP +11.8% and +8.9% in 2008, in 2009 during the economic crisis, the growth rate slowed down so much that Slovakia has made this year-on-year decline -5.8%. In 2010, however, Slovakia recorded again recovery the economy, with annual growth reached 4.5% and in 2011 +5%. Parallel the Czech Republic reached in 2007, annual growth in GDP +6.1%, in 2008 the growth rate slowed down, while the Czech Republic has reached an annual increase of +2.5%, in 2009 has recorded an annual decrease -4.1%.

In 2010, the Czech Republic reaches, like the SR, year GDP growth of +2.2%, in 2011 of +1.7%. In terms of retail sales without the auto industry, Slovakia in 2008 recorded annual increase like the Czech Republic, and since 2009, Slovakia is on-year declines. In the Czech Republic in 2011 already have recorded annual growth of +1%.

Tab.1 Structure of selected household expenditure in Slovakia (in %)

Slovakia	2008	2009	2010	2011
Food and non-alcoholic beverages	24,4	24	24,8	24,4
Alcoholic beverages and tobacco	2,8	3	3,3	3,2
Clothing and footwear	6,5	6,1	5,9	6
Housing, water, electricity, gas and other fuels	22,2	22,8	23	22,6
Furnishings, household equipment and maintenance	5,3	5	4,8	4,2
average monthly expenditure per capita (in EUR)	324,7	306,6	307,8	319,2
monthly average for furnishings, household equipment and maintenance(in EUR)	17,21	15,33	14,77	13,41

Source:Statistical Office of the Slovak Republic, GfK Retail and Technology, own calculations

In terms of the structure of household expenditure, according to GfK, Czech households spend for housing equipment, facilities and maintenance, which also include the expenses for electronics, an average of 1.5% over Slovak households, as calculated Czech koruna into euro at the average annual exchange rate of the Czech National Bank, representing about 8.72 EUR more than Slovak households. Table 1 and Table 2 show the structure of household expenditure in Slovakia and the Czech Republic.

Tab.2 Structure of selected household expenditure in Czech Republic (in %)

Czech Republic	2008	2009	2010	2011
Food and non-alcoholic beverages	20,1	19,5	19,3	19,1
Alcoholic beverages and tobacco	2,8	2,6	2,8	2,9
Clothing and footwear	5,0	4,4	5,0	4,8
Housing, water, electricity, gas and other fuels	21,4	22,5	21,7	22,4
Furnishings, household equipment and maintenance	6,7	6,4	6,3	6,2
average monthly expenditure per capita (in CZK)	10336	10713	10861	11010
monthly average for furnishings, household equipment and maintenance (in CZK)	692,5	685,6	684,2	462,4
monthly average for furnishings, household equipment and maintenance (in EUR)*	27,7	25,9	27,0	18,8

Source: Statistical Office of the Czech Republic, GfK Retail and Technology, own calculations

*average annual exchange rate of the Czech National Bank

4 White goods market in times of crisis

In our research, we observed the behaviour of consumers in Slovakia and the Czech Republic in the years 2009 - 2011, while we have focused on differences in the behaviour of consumers when buying white goods. White goods can generally be divided in the large white and small white goods. In terms of individual markets can be argued that the Czech market of white goods in the estimate is 2,6 times larger than the Slovak market, respectively large white goods market is larger in the estimate of 2,5 times and a small white goods market is larger in the estimate of 2,7 times. In 2008 we recorded in both countries historically the biggest selling white goods.

In 2009, the value of sales in Slovakia fell by more than 54 760,2 thousand EUR estimate and the Czech Republic on 1 054,9 million CZK (see Table 3 and Table 4 shows the evolution of white goods in Slovakia and the Czech Republic as well as broken down as a great small appliances and white goods).

Table 3 Development of sales of white goods in Slovakia (in thousands EUR)

	2008	2009	2010	2011
large white goods	209 010,50	159 923,90	166 858,70	169 586,90
small appliances	62 016,70	56 343,10	62 252,90	65 923,70
	271 027,20	216 267,00	229 111,60	235 510,60

Source: GfK Temax Report, own calculations

While in 2010 the Slovak Republic has recorded annual growth of +5.9% in the Czech Republic still have recorded an annual decrease -1,5%. In 2011, already in the Czech Republic have recorded annual growth of +2,5% and +2,8% in Slovakia. When comparing the years 2008 and 2011 have recorded still in both countries fall in turnover, Slovakia-13,1% and Czech Republic -8,%,

Table 4 Development of sales of white goods in Czech Republic (in the millions CZK)

	2008	2009	2010	2011
large white goods	11 880,10	11 093,20	10 682,70	10 823,30
small appliances	4 309,30	4 041,30	4 221,40	4 449,30
	16 189,40	15 134,50	14 904,10	15 272,60

Source: GfK Temax Report, own calculations

Looking at the large white goods in Slovakia and raise the question - where to go to buy Slovak consumer white goods, it can be argued that prefers a purchase at specialized stores, followed by furniture and kitchen studios and hypermarkets, the Slovak consumer behaviour over the last four years is changing. While in 2008 Slovak consumer purchases at specialized stores according to GfK worth 171 196,5 thousand EUR. This represented 81,9% share of the total market sales. In 2011, the Slovak consumer purchases at specialized stores 42 769,5 thousand EUR less compared to 2008, with 122 in the amount of 344 thousand EUR and share of the total market in 2011 is 72,1%. Other developments are in furnishing and kitchen studio, where the economic crisis in 2009, it seems, did not intervene at all. While in 2008 their sales value amounted to 19582,5 thousand EUR and

share of the total market amounted to 9,4% in 2009 as the only recorded an annual increase in sales of 1 501,8 thousand EUR in 2011 represents the sales value for 31 908 thousands EUR and share of the total market of 18,8%. Outlets on the Slovak market recorded in 2011 the share of 9,1%, which sales value amounts to 15 335 thousands EUR.

Looking at the large white goods in the Czech Republic, according to GfK overall market in 2008, sales total 11880,1 million CZK, in 2009 and 2010, the overall market declined due to the economic crisis, and in 2011 the Czech Republic recorded an annual increase of 140 million CZK. Czech consumers like Slovak preference when buying white goods specialized stores before hypermarkets and furniture and kitchen studios, but we can see differences in strength of individual distribution channels. Specialized stores proportion of total sales from year to year in the Czech Republic is declining, as is the case in Slovakia. While in 2008 sales value in specialized stores amounted to 8 633,9 million CZK, which represented 72,7%, in 2011 the value of sales fell by 1 532,9 million CZK representing a decrease of 17,75% in sales value compared with 2008.

Table 5 Development of sales of white goods in Slovakia (in million EUR)

	2012	2011/2012 in %	2013	2012/2013 in %
large white goods	185	-1,1	174	-6,3
small appliances	74	-1,2	75	+0,9

Source: GfK Retail and Technology, own calculations

The market of small appliances and large white goods had in the year 2012 negative development. This was the trend throughout the year and, ultimately, the market as a whole declined. The only product group in which an increase, as food processors and blenders. Even worse is the situation shown in 2013, although sales of small appliances saw a slight increase (GfK,2013). Slovak consumers save and limit consumption. Is also noticeable negative impact of unemployment. Not expected to change this trend for the foreseeable future. This situation in turn has an adverse impact on sales of technical consumer goods.

Table 6 Development of sales of white goods in Czech Republic (in the millions CZK)

	2012	2011/2012 in %	2013	2012/2013 in %
large white goods	12 929	-1,4	13366	+3,4
small appliances	5 140	-2,5	5432	+5,7

Source: GfK Retail and Technology, own calculations

Small household appliances market in 2012 finds in negative territory, reaching thus the value of last year. Despite the relatively high expectations at the end of the year the market has not reached positive results. The only category in which growth was recorded, are food processors and mixers, thanks to the rise of kitchen robots. The market for large domestic appliances declined. Significantly contributed to the development of the market at the end of the year, when in the last quarter fell by -4.1% in sales value(GfK,2013).

The most significant decline in the value contributed the largest category in terms of turnover - fridge and washing machine. The fastest pace in sold pieces grows still relatively small category of dryers and built-in appliances, where it is but on the other hand, price erosion strongest. Household consumption in the Czech Republic in 2012 declined and is not expected to change this trend even in 2013. Consumer confidence is still low, people are hesitating over every major purchase. This situation has a negative impact on the sales of technical consumer goods. The year 2013 saw the revival of economic growth which immediately showed increased confidence in the Czech market (GfK, 2014).

5 Impact of cultural differences on the behaviour of Czech and Slovak consumers

In this part of our article we will try to refer differences in shopping behavior of Czech and Slovak consumers.

Power Distance express the degree to which the less powerful members of a society accept and expect that power is distributed unequally. The fundamental issue here is how a society handles inequalities among people. People in societies exhibiting a large degree of power distance accept a hierarchical order in which everybody has a place and which needs no further justification. In societies with low power distance, people strive to equalise the distribution of power and demand justification for inequalities of power. Slovakia achieved under the value of one of the highest index score 104, while Czech Republic reached almost half and the 57. Based on that fact, we can consider different consumer behaviour. This dimension tends to associate the brand with the choice.

How can to see on table No. 5, the order of the most sold brands in large white technology (Whirlpool, Electrolux, Bosch) is indeed the same, but the market share of these brands are considerably higher in Slovakia than in the Czech Republic reached. An exception is Mora, who in the Czech Republic considered domestic brands.

Table 7 Market share of the brands in large white goods in Slovakia and Czech Republic in 2011 (expressed in units in %)

Brand	Share in% in Slovakia	Brand	Share in% in Czech Republic
Whirlpool	19,6	Whirlpool	12,1
Electrolux	11,3	Electrolux	10,3
Gorenje	7,7	Mora	8,0
Bosch	6,2	Bosch	5,9
Zanussi	4,7	Beko	5,2
LG	4,7	Zanussi	4,6
Beko	4,2	Gorenje	4,1
Samsung	4,0	AEG	3,8
Amica	3,4	LG	3,6
Siemens	2,9	Indesit	3,6
Mora	2,6	Candy	3,5
Baumatic	2,5	Samsung	2,8
AEG	2,4	Siemens	2,6
Indesit	1,9	Baumatic	2,4

others	21,9	others	27,5
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Source: GfK Retail and Technology 2011

From the table No. 7 it can be seen that the presence of known strong brands in Slovakia is much greater as in the Czech Republic. In the case of small home appliances difference is not as evident as in large white goods. It should be noted that a small white goods is associated with the so-called impulsivity the purchase, since the products are not so much financially burdensome household.

The uncertainty avoidance dimension expresses the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. The fundamental issue here is how a society deals with the fact that the future can never be known: should we try to control the future or just let it happen? Countries exhibiting strong UAI maintain rigid codes of belief and behavior and are intolerant of unorthodox behavior and ideas. Weak UAI societies maintain a more relaxed attitude in which practice counts more than principles.

Slovakia have in the index UIA (Uncertainty Avoidance Index) value of 51 and the CR value, which means that the Czechs in excess avoid uncertainty as Slovaks. According to Hofstede: "people in countries avoiding the uncertainty prefer more to buy new cars as second hand cars" (Hofstede, 2007/141). On the basis of the arguments we can find some parallels with the decisions in households to buy new appliance white goods. Not that we would like to point out by the Slovak consumer does not purchase new appliances, respectively appliances purchased second-hand, but the argument may be related to more frequent serviced or repaired technologically obsolete appliances from the Slovak households, which may ultimately have an impact on the size of the white goods market, whereas the Czech market of white goods is about 2,6 times larger than the Slovak market.

Based on the achieved high index UIA in Czech households can argue that Czech consumers will buy more energy efficient appliances compared to Slovak households because of the uncertainty to future increase in electricity prices. In particular, if we look at the share of sales of selected major categories of white goods in Slovakia and Czech Republic in terms of technology, respectively in the terms of energy class, so we find that, for example in categories - refrigerators and freezers represents the amount of sold pieces with an energy class A + + and A + + + in the case of Czech households about 6% more than in Slovak households (GfK, 2011). However, taking into account energy class A + has the difference is not so significant. Similar behavior was recorded also for other types of goods. Slovak customer is more cautious and distrustful, despite an improvement of the economic situation, we confirmed the purchase decision in 2013 (see table 5 and 6).

Individualism versus Collectivism - high side of this dimension, called individualism, can be defined as a preference for a loosely-knit social framework in which individuals are expected to take care of only themselves and their immediate families. Its opposite, collectivism, represents a preference for a tightly-knit framework in society in which individuals can expect their relatives or members of a particular in-group to look after them in exchange for unquestioning loyalty. A society's position on this dimension is reflected in whether people's self-image is defined in terms of "I" or "we."

Where in the country most people prefer group interests over the interests of individuals, we are talking about collectivism. Consumer behavior is heavily influenced by the reference group, for the core group is considered family. In individualistic countries,

links between individuals and groups freely, each individual has a strong culture of independence and responsibility for themselves. Individualism Index of Slovakia is 52 and Czech Republic is 58. Slovak consumer will be more influenced by their immediate environment, particular a family. The Czech consumer will rather make choices based on their needs.

For example, in Czech Republic share the top loading washing machine in 2011 about 27,2% of total sales of washing machines and in Slovakia for the same period were the top loading washing machine to 46% of total sales(GfK,2011).This significant difference in the marketability of washing machines in pieces can be mainly attributed to the experience of parents, who own the top loading washing machine and thus influence their children. A similar example can we find the structure of the sales of stoves.

Masculinity versus Femininity. The masculinity side of this dimension represents a preference in society for achievement, heroism, assertiveness and material rewards for success. Society at large is more competitive. Its opposite, femininity, stands for a preference for cooperation, modesty, caring for the weak and quality of life. Society at large is more consensus-oriented. The masculine society prevails greater reliance on advertising and there is a greater willingness to buy foreign goods. A typical characteristic of feminine culture is a prosperity and social care. Consumer buying behavior is influenced by both partners. Republic have a masculinity index at 57 and Slovakia reaches the level to 110. In the case of Czech Republic are members of the household jointly decide on buying a large appliance, white goods, while Slovakia will decision to buy more masculine affair.

Conclusion

Consumer decision is often influenced by core values, belief systems, that hide under the beliefs and behaviours of consumers. Key figures, however, goes back many deeper than the u and are at a basic level critical for long-term choices and aspirations of people. The results of our research are important in the development of marketing strategies and operational marketing programs, production companies as well as sales networks to market research. Acceptance of cultural differences and their adaptation to customer care although at first sight eliminates economies of scale, on the other hand, saves money, which proved ineffective and were thus spent inefficiently.

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Effectiveness of TV Advertising when Targeting Generations Y and X

Juraj Chebeň¹

Abstract

More and more marketers talk about ineffectiveness of TV advertising, so we have decided to analyze perception of TV advertising by two generations, generation Y and X. The goal of this research is to compare influence of age on perception of TV advertisement by focusing on generation X and Y and suggest some occasions and products to increase effectiveness of TV advertising for generations Y and X. We suppose that TV advertising influence generation Y harder than generation X. We also assume that perception of creative content of advertising is different in both generations. The re-search was done on basis of focus groups and short questionnaire, both based on secondary literature review. The study provides evidence of the most important factors that contribute to short and long term performance of advertisements targeting generations X and Y. One of findings is that generation Y is harder to influence by TV advertising than generation X and it will be ineffective to target both generations with same advertisements.

Key words

TV advertising, generation X and Y, segmentation, perception

JEL Classification: M39, M37

Introduction

Every country has its style, style of advertising. For example, advertisements in Great Britain is based on a particular humor, in France it has a "sexy charm" and perceived as a little crazy, in Germany advertisements are too serious and presenting clear advantages of a product (Balhar, 2011). Not only nationality matters, but in advertising age differences play also a crucial role.

Marketers are interested in the daily impact of television advertising on general public. Age differences shape today's consumers decisions as well as the creative content of television ads, which can be considered generationally specific.

From marketing point of view, generation X and Y are regarded as the most attractive segments of the new millennium. Differences in lifestyle and its elements are considered very significant factors determining the attractiveness, which is particular for members of a specific generation. Lifestyle concept in the field of contemporary advertising television is one of the most important factors, because the buying behavior is determined primarily by lifestyle variables.

Generation can be defined according to social, cultural, economic and technological environment in which its members grew up (growing up), and which affects them every day. Sociological perspective is most often considered as essential, especially defining generations according the same popularity of films, television programs, music, literature, experiencing the same global events, similar attitudes towards political events, religion and others. The novel Generation X charts the lives of young people aged 35-50 years

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who are unable or unwilling to reconcile with the transition phase to adulthood marriage, responsibility to the company, "loss" of dreams and ideals, etc. Overview of different generations is presented in figure 1.

Figure 1 Generations according age in different states

	1950	1960	1970	1980	1990	2000
China	Post-50s Generation (1950-1959)	Post-60s Generation (1960-1969)	Post-70s Generation (1970-1979)	Post-80s Generation (1980-1989)	Post-90s Generation (1990-1999)	
India	„Traditional“ generation (1948-1968)		„Non-Traditional“ Generation (1969-1980)	Gen Y (1981-onward)		
South Korea	„475“ generation (1950-1959)	„386“ generation (1960-1969)	Gen X and Gen Y (1970-onward)			
Japan	1st Baby Boomer (1946-1950) Danzo generation (1951-1960)	Shinjinrui Generation (1961-1970)	2nd Baby Boomer (1971-1975)	Post Bubble (1976-1987)	Shinjinrui Junior (1986-1995)	Yutori (1987-2002)
Russia	Baby Boomers (1943-1964)		Gen X (1965-1983)		Gen Y (Gen „Pu“) (1983-2000)	
Bulgaria	Post War generation (1945-1965)		Communist generation (1965-1980)		Gen Y (Gen „Pu“) (1983-2000)	
Czech Republic	Baby Boomers (1946-1964)		Generation X „Husak’s Children generation“ (1965-1982)		Generation Y (1983-2000)	
South Africa	Baby Boomers (1943-1970)		Gen X (1970-1989)			Gen Y (1990-2000)
Brazil	Baby Boomers (1946-1964)		Gen X (1965-1980)		Gen Y (1981-2001)	
U.S.	Baby Boomers (1943-1964)		Gen X (1965-1980)		Gen Y (1981-2001)	

Source: Talking About Whose Generation? (online), (cited, 16March 2014)

As Platteel and Rodhe (1999) says, the connection of Generation X and Y to television advertising as well as the impact of visual media and TV commercials cannot be so significant and measurable in any of the previous generations as it is currently in generation X and Y.

Several authors were devoted to the influence of gender on the perception and production of TV commercials, but only a few of them were also devoted to the influence of age on the perception of TV commercials. For this reason, we decided to fill in this gap. Generation X is the first generation that grew up with the television from an early age and became skeptical of promises in young age. In preschool age they discovered "surprising truth" - cereals, which look so healthy and tasty in advertising, can cause tooth decay and that television "lies". These mistrusts resonate in their minds up today (OWEN, 1999).

While creating the advertising, the creative workers are looking at the market predominantly in terms of lifestyle. Sinus model of the Heidelberg Institute in Germany tried to associate one class of people who are alike in their opinions on life, the values that they recognize, the way of leisure, etc. The Sinus-Milieus® link up demographic criteria like education, occupation, or income with the actual life worlds of the people, for example with their everyday-life, their different attitudes to life, and their ways of living. Today, the Sinus-Milieus® are integrated into all major market media studies in Germany as well as into the television audience panels in Germany, Austria, and Switzerland. Leading brand product manufacturers, many advertising, media and PR agencies as well as several

publishers have been working with this concept using it for strategic planning and operative implementation – both on the domestic and the international level.

Analysis of differences of impact of TV advertisement on men and women is one of possibilities of analyzing influence of TV advertising on generation X. In table 1 we can see what type of advertisements is preferred by men and women. According to Babut et al (2013) the ads must contain primarily relevant information. Ads featuring humour and sexy characters attract men`s attention while the favorite star receives attention of women, the elderly and the low-educated consumers. Favorite music and humor are liable to attract young people.

Tab. 1 Preferences of advertisements according to sex

	men	Women
Humor in advertisements	47 %	28 %
Easy going advertisements	36 %	38 %
Neutral advertisements	17 %	34 %

Source: Jak marketingově cílit na muže? (online), (cited 14th March 2014)

Advertising campaign focused directly on men from Generation X is governed by certain facts:

1. Men assess so-called parody advertisement, and present humor in general better than women.
2. Less patience for longer advertising spot is characteristic for men.
3. Advertising cliché - sex sells, is specific for men. Female nudity in advertising prevails over the male one, which differs from country to country. In the U.S., the gap between the application of female and male nudity is significantly bigger, than it is for example in Germany.
4. When creating ads it is much more functional to involve a model examples than use the familiar gender stereotypes only.

The number of trends indicates the direction to feminine marketing of generation X, which are subsequently reflected in the content and creative grasp of message of television advertising:

1. More women reach higher positions, as reflected in higher income. Women came to the taste of financial independence and along with that also of the joy of spending.
2. Women get married later; they are independent and like to buy in bulk.
3. Women have fewer children, to which, however, invest much more money and time. Their children are fast becoming well-versed in the world of brands and they dictate to their parents what products they should buy.
4. Divorce economy divides everything into two independent units. With increasing financial independence, the divorce rate increases, thereby creating new households requires special services.

Women in general like to spend money on the beauty. They decide on the shopping habits of the whole family. Therefore, a large number of ads are targeted especially at them (Obuchová, 2007).

Television advertising targeted to Generation Y should not exclude communicated ideas and evoked values that are typical for Millennials. These values are: individualism,

diversity, to live is paramount, time with friends, concern for the environment, authenticity, quality, inspiring experiences, building a career, continuing education, access to information, freedom in general, travelers' freedom, sexuality and romance, social identity, utopian and idealistic world, news and technological developments, luxury (Fields, 2008). Nevertheless, parameters of lifestyle and loyalty of Generation Y are different from factors significant for other generations. Spot dynamics is reflected in the dynamics of lifestyle and brand loyalty. Everything is short, precarious and temporary. The brands enrapture the generation Y as fast as they make them weary. Teenagers in comparison to older generations have more "media" experience (computer games, PlayStation, internet, work in MS PowerPoint from an early age) and achieve the highest score in processing fast visual messages and shapes (Gunter et al., 2005).

1 Methodology

In this study we compare marketing impact TV advertising impact on two different generations. The various analysis of this study are measured based on the results of the literature review. The aim of the article is to compare influence of age on perception of TV advertisement by focusing on generation X and Y and make some suggestions to improve effectiveness of advertising. Based on these results we can say for which generation TV advertising is more or less effective.

We have supposed that it is harder to influence generation Y than generation X. We have also assumed that perception of creative content of advertisement differs in both generations.

When defining Generation X, we use values that are characteristic to its members in many Western European countries, USA and Canada. These values include: attitude to work, political ambivalence of the personality, acceptance of differences, conservatism, stability and individualism. Generation X saw their parents rush blindly for material goods. Work was a good source of income for them, but certainly not a source of self-esteem. Generation X experienced globalized world as well as non-globalized world. Members of Generation X consider racial, ethnic and sexual diversity, as well as homosexuality as a part of their life. They expect the value of the product and enough time and space for the leisure activities from the life and society. In most cases, they have a very close relationship to their parents.) We are going to consider as a generation X all people born between years 1960 – 1980.

Members of Generation Y, respectively, members of Millennials were born between 1981 and 2000. They distrust what previous generations considered (and consider) as unquestionable – to institutions, ideologies, politicians, and public proclamation of view. No other generation grew up in such a period of economic prosperity, the amount of leisure and educational opportunities (not just institutional) as Generation Y. The impact of technological development in this generation is undeniable. Internet and searching the information in English is natural for them. Thanks to telecommunications technologies, they have learned and practiced activities typical for members of Generation Y who are in daily contact with their family members.

Generation Y it can't be considered a homogenous one. Even those born after 95's form different segments. Based on their perception on the impact of mobile phone usage on their life, four segments of users could be create: basic passive users, passive users with potential, active social users and active pragmatic users (Alt & Pál, 2011).

It is the first generation of consumerism and remains to study longer so as to be well prepared for the labor market. Liabilities of whatever nature are uncomfortable for her. This generation needs love and the need to belong somewhere as well. Advertising is a specific way of influencing opinions, shopping, moral and aesthetic attitudes (Tellis, 2000).

Answers on our research hypotheses should result in suggestions for creation of effective advertisement aimed on both generations.

The research is based on focus groups methodology and short questionnaire based on secondary literature review.

The measures for the evaluation of perception of certain aspects of TV commercials are based on discussions with group members. We have created 4 focus groups in October and November 2013. Two focus group for each generation. Participants were divided into two groups, 8 + 8 members.

A suitable sample of respondents is important in each research. Since all samples are small, the selection of members of different groups was not random. The effort was to create a demographically balanced group in terms of gender, education, lifestyle, values and housing conditions.

In management discussions were used more control issues that should ensure the veracity of responses and also exclude respondents who did not pay enough attention on questions. Responses were recorded and later analyzed several times to verify various dependencies.

To confirm the results obtained, we also conducted a questionnaire survey in October and November 2013. Selective survey based on a scaled questionnaire of own construction was used as a method of the data collection. Likert scale from 1 to 5 was used where higher numbers indicating higher approval to the respective question what means absolute consensus of the respondent (totally agree). The questionnaire concludes with identification questions about age, gender and education in order to verify heterogeneity of participating respondents. We used a sample of 16 university students aged 19-24 years and of 16 older adults aged 35 – 55 years. When concluding our research we used a comparison of information resulted from our analysis of primary research and information from literature review.

2 Results and Discussion

The influence of different advertising media on different generations of consumers is shown in table 2. The table illustrates that advertisement in TV have higher impact on consumer behavior than different advertising techniques regardless generation. These results are filled in with conclusions from our research.

In table 2 we can see, that effect of television advertising for Millennials is comparatively lower than its impact on members of older generations. Based on studies that were realized in 1999 and 1988, we can say that the average impact of television advertising effectiveness increases with age.

Generation Y responds to television advertising less compared with members of other generations, but remembers it longer. On average, 24% of all Millennials remembers a TV spot three days after watching, while only 18% of the protagonists of other generations remembers it after three days.

However, older generations get significantly better results after an immediate watching - up to 54% of the older generation remembers exactly the content of television advertising right after watching, while the advertising content and message remembers only the 43% of Millennials (Next-Generation Strategies for Advertising to Millennials).

The attitude of the respondents of the generation X to the advertising is negative. They mind the quantity of it, which is in comparison with the past intolerable. It upsets them, if they see the very same TV advertising within one advertising unit more than one time. During the ads they leave the TV and prefer to do the other activities. They consider the most of the TV advertisements broadcasted by Slovak TV channels as primitive. The attitude of the respondents of the generation Y to the advertising is uniform – they find it annoying and according to their opinion, there is an enormously amount of it.

Tab. 2 Advertising media with the highest impact on consumer behavior (% respondents)

	all	Late Generation Y	Early generation Y	Generation X	Baby boomers	Seniors
TV	83	80	82	86	82	80
Magazines	50	44	45	45	53	67
Online	47	55	69	46	41	32
Daily press	44	20	17	37	59	79
Radio	32	26	22	37	34	27
Billboards/outdoor	13	11	12	14	13	8
Cinema	11	27	19	10	6	3

Source: Social Media Grabs Headlines; TV and Print Grab Wallets. (online), (cited 8th January 2013)

Regarding to the creativity, content and communication the discussants think that the TV advertisements abroad are at an incomparable better level. Especially, they mind the lengths of the advertisements.

Respondents of the generation X preferred the ads, that were focused on bear and cars. Not all respondents could imagine advertising about the concrete product or service – however, the discussants could describe their content. The positive impact on the respondents has the TV advertisements in which are children and animals. Women like the advertisements, in which feature handsome and charismatic men. All TV ads aimed at fast and affordable loan met with collective disapproval. Each of the respondents of the generation Y could recall some TV advertisement, especially the ads of Orange, Coca Cola and the car brands. The discussants of the generation X could immediately think of the advertisements of the LIDL company (the women part), which influenced them to shop. The men members do not seem to be influenced so easily. The respondents of the generation Y expressed positively against the lump sum of the telecommunications companies and shampoos that affected them when buying. However, they agreed that television advertising does not affect the frequency of their purchase. The respondents of all generations could not recall any TV advertisement that would create the new need.

2.1 Practical implications for the creation of ads aimed at each generation discussion

In compares with generation Y, the television in a leisure time of the generation X stands more important role.

Its members are watching TV almost every day. Nevertheless, the attitude of all the discussants for TV ads is negative. They perceive most TV commercials as insufficiently creative, and in terms of creativity, the Generation Y perceives the TV advertising even more negative. The attitude of the Generation X to the presentation of television commercials is more negative than attitude of Generation Y, which is explained by the fact that Generation Y is watching TV less. Only the few of the respondents of the Generation X knew the advertising aimed at specific product or service and describe its contents. The female respondents of the Generation X knew television spots and food retailers.

We assumed that respondents of the Generation X expressed a negative attitude towards all television advertising oriented at fast and affordable loans.

Impact of television advertising on the frequency of purchase of a product, according to the findings in Generation X is irrelevant; however, the advertising helps to maintain their loyalty to the brand promotion.

Protagonists class of established in terms of research of Sociovision have high demands for aesthetic processing and truthfulness of the communicated message.

We suggest targeting the Generation X by advertising on the way to / from work, either in public transport or by using outdoor advertising. Generation X has more positive attitude to advertising in radio than to advertising on TV. Free time for Generation Y is a valuable commodity; therefore, it is prohibited to waste it. Television plays a subordinate role for them and often plays the role of "scenery". The length of commercials interferes the respondents. Despite the negligible time that respondents spend watching television, each of Generation Y respondents remembered the television advertising and brand in it. They prefer cars, cosmetics and perfumes in TV advertisements. Their favorite advertising loses its charm with too much repetition. In matters of everyday consumption, such as cosmetics, the respondents tend to give preference to a product which they recently spotted in advertisement. Therefore, the television advertising does certainly have an ability to affect the Millennials, because it tends to easily "swing" from one brand to another. In terms of durables of Generation Y, advertisement has the function of an informant about the product or brand in the market. Misleading and exaggerated statements in advertising face more disapproval in Generation Y than in the Generation X. From the perspective of Generation Y it is just a complementary tool of marketing communication, and therefore we propose to use advertising in stores to convince potential buyers at the point of sale, outdoor advertising to inform about the product, advertising in movies and TV series for image creation, advertising and social networks to communicate with consumers.

The main limit of this study is a small sample of respondents and the fact, that from the point of view of culture of the nation, the reactions of the respondents can vary, because even the global companies have adapted advertising in different countries. This qualitative research should, however, be the basis for similar types of research on larger samples of respondents and by using the questionnaire.

Conclusion

The results of our research show that it is harder to influence generation Y by TV advertising than generation X. It is because of active time spending of generation Y, where watching TV plays only insignificant role. Generation Y have high expectations on creative shape, content and original message of TV advertising. Because of this fact, effective advertisements should not have been focused on both generations at the same time, but we suggest creating advertisements according to segmentation by age. We cannot forget that characteristics of a product play the most important part in advertisement creation, because cartoons in advertisements for financial products will disturb image of the serious financial institution.

Specific delimitation of target segment according to age and education, proper choice of content, artistic and aesthetic interpretation in advertisement are only the basic determinants of success. The proper timing of advertisement and appropriate use of nonverbal communication in creative production play as important role as right segmentation.

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Lessons Learned and Raising the Potential of Central and Eastern European Countries in the Eyes of Foreign Investors¹

Erika Mária Jamborová² – Lenka Šprochová³

Abstract

The region of Central and Eastern Europe (CEE) has undoubtedly experienced the impacts of economic crisis in different measures. The necessity of auditing not only companies but also governmental strategies was much needed. These manners influenced decisions of foreign investors and set up and changed the competitiveness potential of CEE countries. The aim of the paper is to examine the economic macro and micro situation of the CEE region focusing on the insolvency, profitability and competitiveness of selected countries from the CEE region and point out the potential of these countries in the eyes of foreign investors.

Key words

competitiveness, CEE, economic crisis, foreign investment

JEL Classification: F16, F21, F34

Introduction

This paper focuses on the concept of competitiveness of very varied region - Central and Eastern European countries region (CEE region). CEE countries are considered to be experiencing the economic recovery due to the 1,2% of GDP growth in the years 2012 and 2013, corresponding to their main trading partners from the rest of the European Union (EU). The aim of this paper is to describe through selected factors the competitiveness of selected economies from the CEE region in terms of economic and statistics indicators and provide a comprehensive view of the processes in the most competitive economy of selected countries.

1 Methodology

Competitiveness is the ability of business to compete on the market. There are several views and definitions that try to describe the concept of competitiveness. It is very difficult to embrace in one sentence all the determinants and factors that describe and represent competitiveness. According to OECD sources, competitiveness is understood as the capacity of firms, industries, regions, nations and multinational corporations to generate relatively high-income levels from the production factors, but also use them at a

¹ VEGA 1/1057/12 "Solving the Debt Crisis in the Monetary (not Fiscal) Union and Factors of the Future Deepening of Crisis in Europe and in Slovakia"

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sustainable level in the current competitive environment (Vida, Kadár & Kádárová, 2009). Competitiveness is essential for a company and is implemented as an ability to maintain and expand the owner's property of the company.

National economies can compete in areas such as working conditions, energy and communication costs, infrastructure, technological and innovative structure, system of education in general and in particular for managers (Alexy & Mečár, 2006). All these components however do not create competitive country, but create a competitive business environment that forms conditions for businesses. Competitiveness of national economies, therefore, can be defined as the ability of countries to penetrate goods and services to world markets and obtain the benefits of this expansion. Based on the above, the authors of the paper tend to the findings that competitiveness is a means to achieve nationwide goals, not an end in itself (Jamborová & Šimorová, 2013).

To compare countries in terms of competitiveness, it is possible to use the method of the survey of individual determinants, identifying individual weights and evaluation of importance by evaluating the performance of these countries. Determinants of different countries can be divided for example by UNCTAD and can be divided in (Rosenberg, 2004/8):

1. political: economic, social and political stability; rules for entry the market and regulation of the functioning of the market; treatment of foreign entities; international agreements on the functioning of the market; international agreements on the operation of foreign direct investment (FDI), privatization, trade policy and tax policy,
2. economic: demand factors - market size and per capita income, market growth, access to regional and global markets, consumer preferences in the country, market structure; cheap inputs - resources, raw materials, cheap unskilled labour, skilled labour force, technological innovation benefits, infrastructure; reduce costs - the costs of resources and assets adapted to higher-productivity of the workforce, additional costs of inputs such as transport costs in the country and membership in international organizations;
3. of the business environment and support for foreign investor: incentives to attract investors.

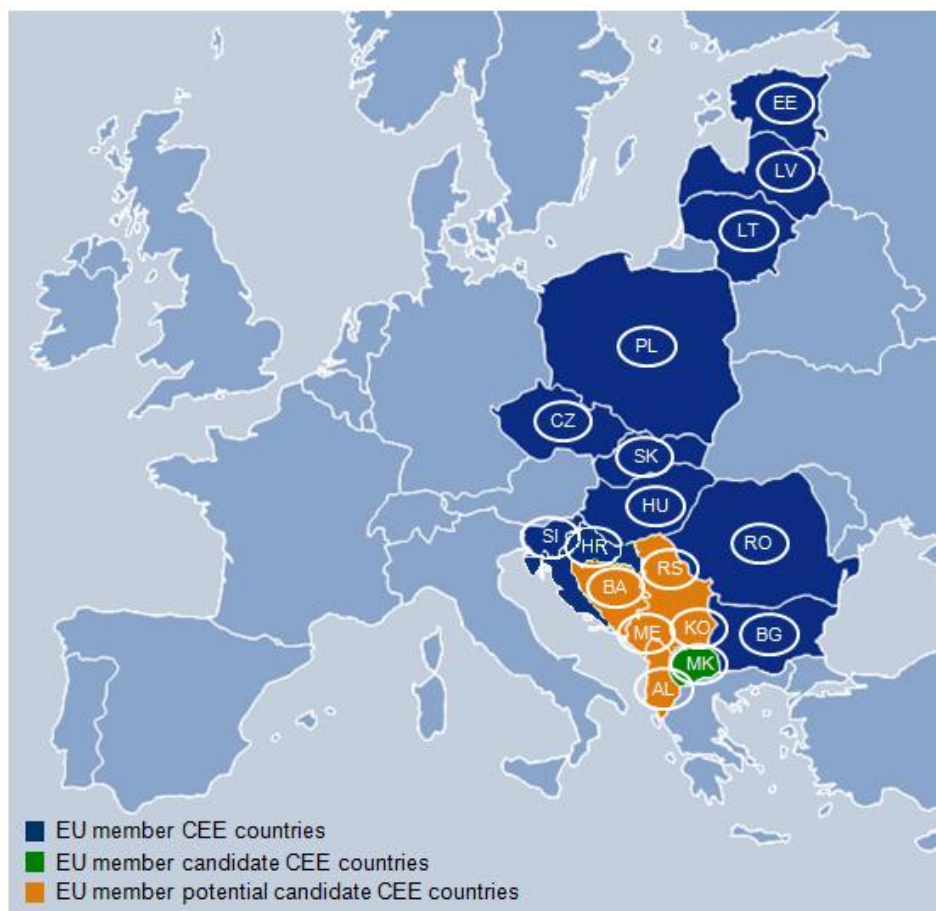
Determinants can also be divided according to the simplified formula for economic and political determinants, and economic determinants are divided further (Lipková, 2004):

- Internal: economic level of the country (measured by GDP per capita), market size (measured by the number of inhabitants and the amount of produced GDP), perspectives of the market (population growth), inflation, labour costs, availability of labour force and their qualification level, infrastructure, fiscal policy (measured by the state of public finances, the possibility of transfer of profits;
- External: balance of payments, foreign debt.
- Political: political stability, government intervention in the economy, attitude towards foreign investors, trade union activity and the risk of nationalization.

Competitiveness of the country (nation) can be also derived according to the Porters diamonds of competitiveness (Furdová, 2013). Significant factor of the competitiveness of the country may be included in the quantity and cost factors (natural resources, human resources, capital resources, physical infrastructure, administrative infrastructure, information infrastructure and scientific and technological infrastructure), as well as factors of quality and specialization. CEE region consists of countries former known as

Eastern bloc countries including 17 countries that form the eastern border of the EU. From these 17 countries, 11 are members of the EU. Firstly Estonia (EST/EE), Latvia (LVA/LV), Lithuania (LTU/LT), Poland (POL/PL), Czech Republic (CZE/CZ), Slovakia (SVK/SK), Hungary (HUN/HU), and Slovenia (SVN/SI) joined in 2004, secondly Romania (ROU/RO) and Bulgaria (BGR/BG) joined in 2007 and thirdly Croatia (HRV/HR) joined in 2013. Six remaining countries are taking steps to become or being on the path of accession to the EU. Macedonia (MKD/MK) as a candidate country and 5 Balkan countries are potential EU member candidates: Albania (ALB/AL), Bosnia and Herzegovina (BIH/BA), Kosovo (KO), Montenegro (MNE/ME) and Serbia (SRB/RS). The CEE region is shown on the figure 1.

Fig.1 CEE region



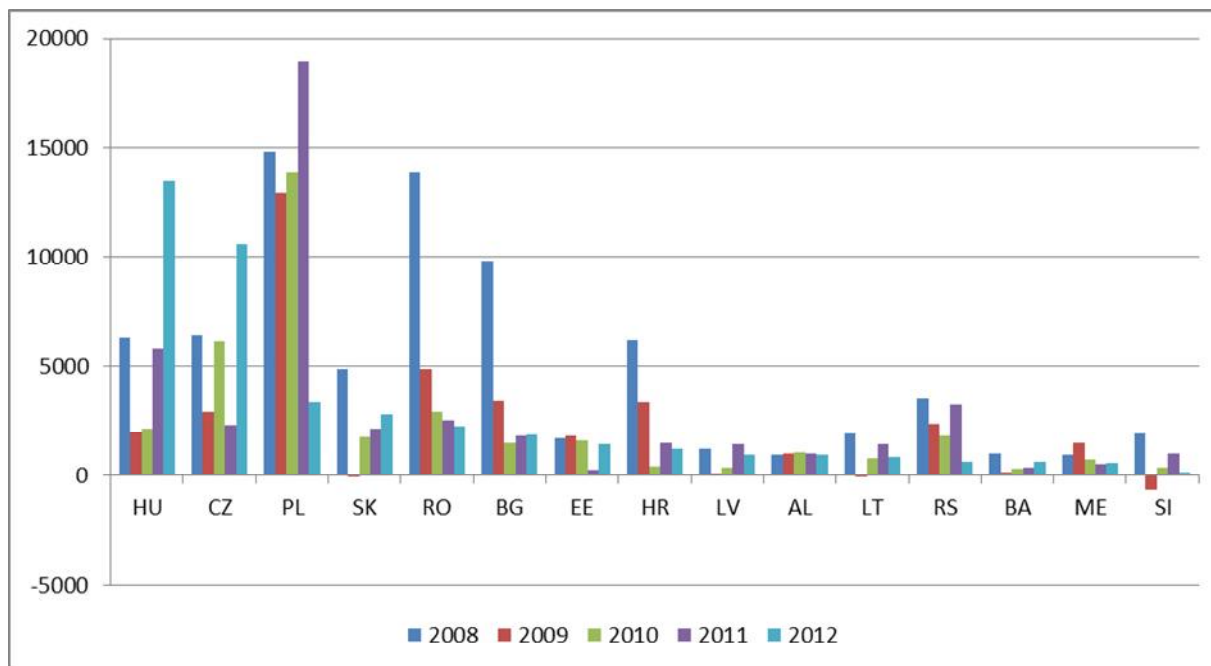
Source: own proceedings according to <http://jherrerodc.typepad.com/.a/6a010535d08325970c0133f49a6610970b-pi>

2 Results and Discussion

The issue of FDI is highly debated and important topic because of FDI's positive impact on the economy. FDI are important drivers of the economy because they are considered as: source for funding the new jobs creation, reducing unemployment factor, increasing exports, the inflow of new technologies, skills development of staff, the infrastructure development for underdeveloped regions, the increase of the country's competitiveness and ultimately a decisive factor in raising living standards and country's

welfare (Šimorová, Turan & Srivastava, 2012). Before the assessment of selected determinants is started, it is necessary to introduce the real FDI flows in CEE countries (see graph 1).

Graph 1 FDI flows in CEE countries



Source: UNCTADstat. (nd). Inward and outward FDI flows, annual, 2008-2012. Retrieved June 1.2014 from <http://unctadstat.unctad.org/TableView/tableView.aspx>

Graph 1 shows flows of FDI to the CEE region represented by 15 countries (exc. Kosovo and Macedonia data not available) in the period of the incoming financial and economic crisis till the last available period of the year 2012. Highest flows of FDI as can be seen are according the 2012 rank flows: HU, CZ, PL, SK, RO, BG. The first four countries also known as V4 countries represent stable region within the CEE region where cooperation is set also by the protocol of cooperation and other strategic documents. In 2014 the V4 countries commemorate the 25th anniversary of the fundamental changes that took place in the region and the fall of the Iron Curtain. They recently celebrated the 10th anniversary of their accession to the EU and the round anniversaries of NATO membership, which laid down the foundation of international security. The V4 countries enter second decade of their membership in the EU as successful Member States. The Visegrad Group countries' achievements are seen as a successful model of economic transformation, a positive example for other states undertaking reforms as well as the success of the EU enlargement policy. The economic growth of the V4 countries over the past 15 to 20 years has exceeded the EU average. RO and BG are countries, which entered EU afterwards in the second east enlargement. But if there are cumulative flows of FDI the ranking does not respect this order. In cumulative flows order is as follows: PL, HU, CZ, RO, BG and before SK skip HR as the new coming member of the EU. It is very interesting that in case of SK also RS records the same amount of FDI flows in the selected period (Drieniková & Zubařová, 2013).

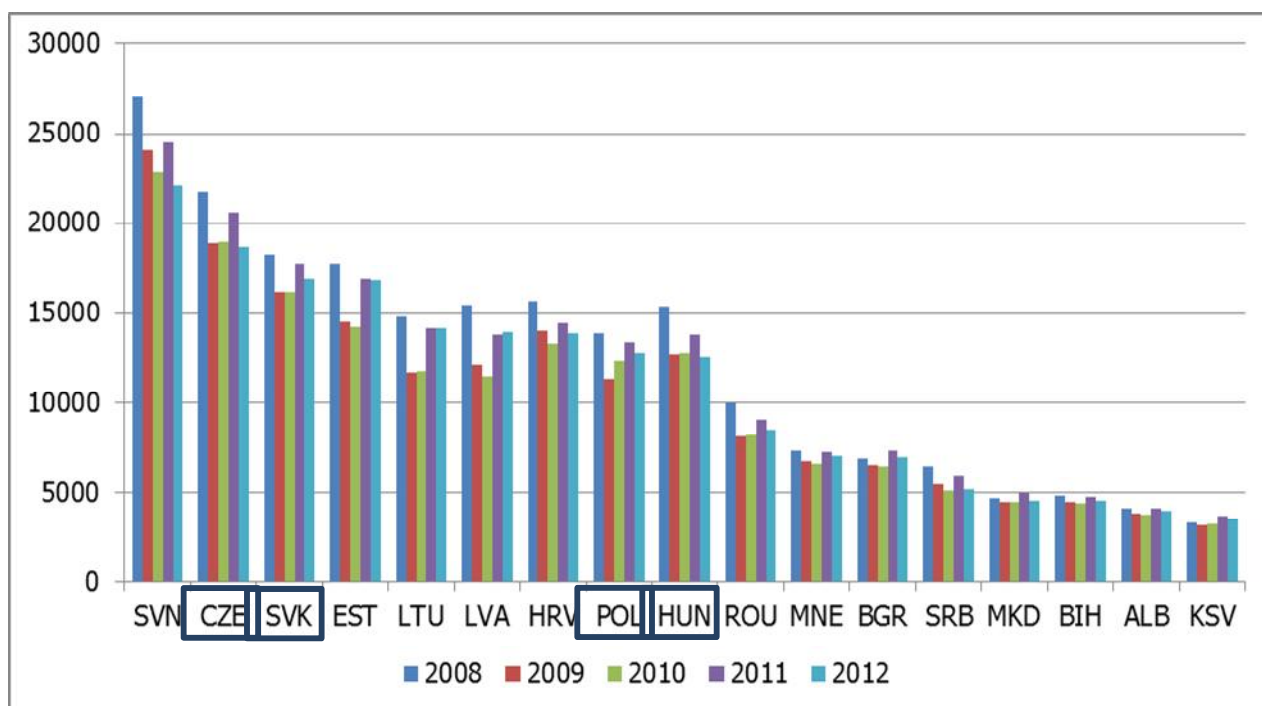
To prove what are the competitive factors and determinants of these countries but due to the strictly said range of the paper the analysis is concentrated on the selected internal determinants (economic level of the country (measured by GDP per capita),

market size (measured by the number of inhabitants and the amount of produced GDP) and perspectives of the market (GDP growth):

2.1 Gross domestic product per capita (GDP/capita)

GDP per capita is a key indicator for comparison between economies. GDP per capita speaks on the economic advancement of the country and also it can be inferred from the rate of economic prosperity in the country. For potential investors, GDP per capita represents key indicator by which they can make an initial judgment on the suitability of the country for their investment.

Graph 2 GDP per capita CEE region



Source: <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

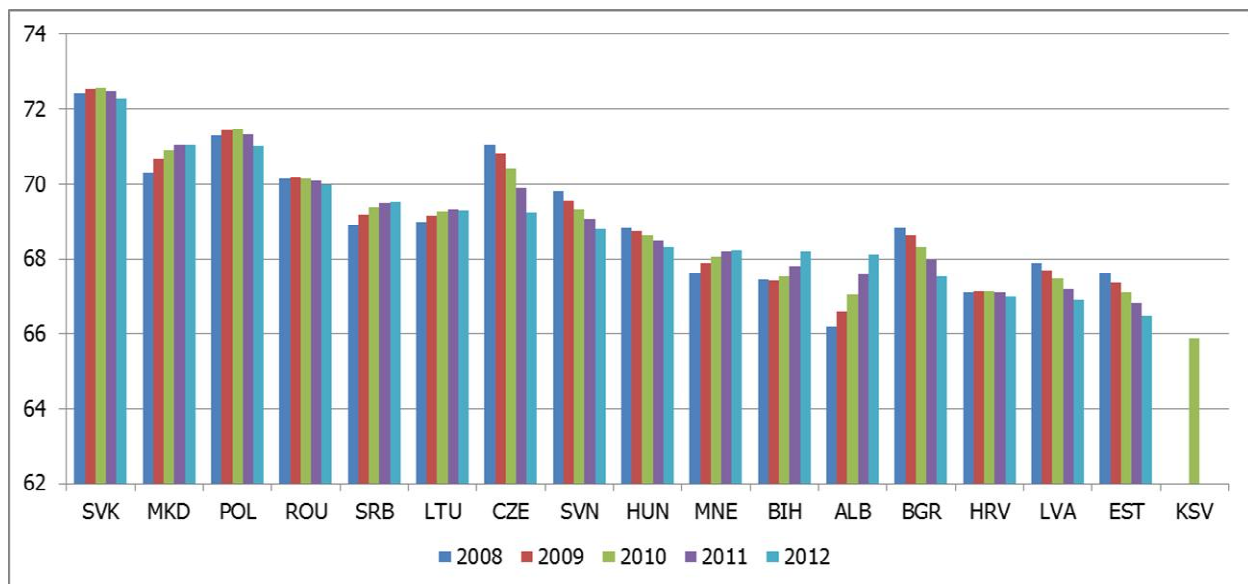
As can be seen in graph 2, order of the CEE countries does not reflect the argument of the suitability for the foreign investors. The highest GDP per capita was recorded in SVN, CZE, SVK, EST and LTU in the period 2008 -2012 and the lowest in KSV, ALB, BIH, MKD and SRB. From the V4 group CZE and SVK entered into best three rankings but POL and HUN have recorded only the medium values. Plus there can be seen also the trend of decreasing the GDP per capita in all CEE region in period 2008-2010 and 2011-2012. The most successful year can be mentioned 2011.

2.2 Market size

The variable size of the domestic market can be assessed in two ways, through population - is demographic indicator that tells the number of potential purchasing power

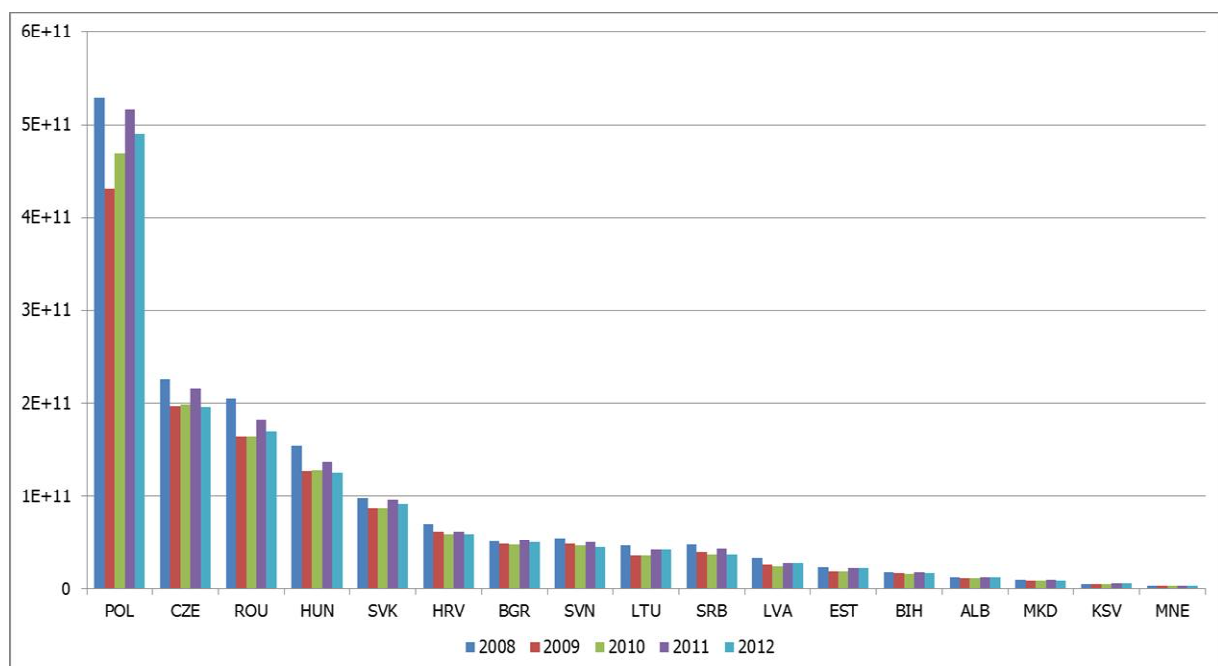
and potential number of work force (population in 15 – 64 year of age in % of total GDP produced (see graph 3 and 4).

Graph 3 Population in 15 – 64 year of age (in % of total)



Source: <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

Graph 4 GDP total



Source: <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

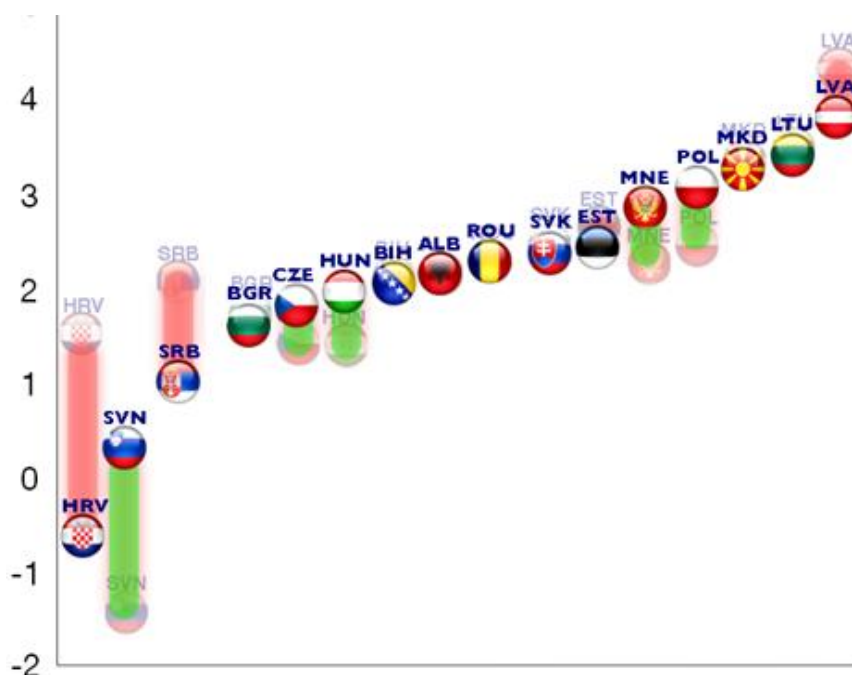
As can be seen on the graphs 3 and 4 order is different in both indicators. Regarding the population in 15 – 64 years of age (in % of total) SVK is the leader followed by MKD, POL, ROU and SRB. There can be deduced that the more people are in the productive age the more effective the economy is. On the other hand this indicator tells that the population is going to become older especially in the first places.

According to the GDP indicator POL exceeds other CEE economies significantly. Followed by CZE, ROU, Hun and SVK.

2.3 Market perspective

Market perspective in the eyes of investors means potential increase in purchase power of population, which can be measured by potential growth of the economy, which is best assessed by real GDP growth. The comparison between CEE countries is shown in graph 5.

Graph 5 The real GDP growth in CEE countries 2004 - revised data April 2014



Source: <http://www.imf.org/external/region/BAL/rr/2014/052714.pdf>

Graph 5 illustrates the situation how the development of the real GDP growth was predicted in October 2013 for 2014 and how this prediction in April 2014 moved. On the basis of developments in the GDP growth rate the biggest negative move in the indicator felt in the case of HRV and SRB. The most positive move is registered in case of SVN and Hungary.

On the basis of the analyses of internal determinants of competitiveness of CEE countries in the selected period 2008 – 2012 we provide the summary of the results transparently to the table as followed in the table 1.

Tab. 1 Summary of the CEE countries assessment

	Cumulative flows of FDI (rank)	EU member (yes - 1point)	GDP/capita (rank)	Population 15-64 (rank)	GDP total (rank)	Market perspective (rank)	Total (sum)
ALB	7	0	2	6	4	9	21
BGR	13	1	6	5	11	5	28
BIH	3	0	3	7	5	8	23
CZE	15	1	16	11	16	6	50
EST	9	1	14	2	6	12	35
HRV	12	1	11	4	12	2	30
HUN	16	1	9	9	14	7	40
<i>KSV</i>	1	0	1	1	2	1	5
LTU	8	1	13	12	9	16	51
LVA	5	1	12	3	7	17	40
MKD	1	0	4	16	3	15	38
MNE	6	0	7	8	1	13	29
<i>POL</i>	17	1	10	15	17	14	57
ROU	14	1	8	14	15	10	48
SRB	10	0	5	13	8	4	30
<i>SVK</i>	11	1	15	17	13	11	57
SVN	4	1	17	10	10	3	41

Source: own proceedings

On the basis of collected data it was possible to complete the process of assessment of the individual determinants. In table above we assessed each determinant with the possible points that the higher the value the more important determinant is. According to the analyses results we can identify the order of CEE countries regarding the possible attractiveness in the eyes of foreign investors. The final order of the CEE countries is 1. POL, 2. SVK, 3. CZE, 4. ROU, 5. LTU, 6. HUN, 7. LVA, 8. SVN, 9. EST, 10. HRV, 11. BGR, 12. SRB, 13. MKD, 14. MNE, 15. ALB, 16. BIH, 17. SV.

Conclusion

The aim of the paper was to examine the economic macro and micro situation of the CEE region focusing on the insolvency, profitability and competitiveness of selected countries from the CEE and point out future potential of these countries in the eyes of foreign investors. CEE economies were compared for the period 2008-2012, through selected determinants: economic level of the country (measured by GDP per capita), market size (measured by the number of inhabitants and the amount of produced GDP) and perspectives of the market (GDP growth) based on the data from UNCTAD organization, World Bank and International Monetary Fund data.

Authors intended to confirm or refute a finding supported by the results of research evaluating the economic indicators of the CEE countries. Comparing the most important

internal indicators of the attractiveness of the country for investors from different databases.

Major findings based on the analyses was that the order of the CEE countries according to the flows of FDI is as followed:

1. POL, 2. HUN, 3. CZE, 4. ROU, 5. BGR, 6. HRV, 7. SVK, 8. SRB, 9. EST, 10. LTU, 11. ALB, 12. MNE, 13. LVA, 14. SVN, 15. BIH, 16. KSV, 17. MKD on one hand and the order of authors` analyses is as followed:

1. POL, 2. SVK, 3. LTU, 4. CZE, 5. ROU, 6. SVN, 7. HUN, 8. LVA, 9. MKD, 10. EST, 11. HRV, 12. SRB, 13. MNE, 14. BGR, 15. BIH, 16. ALB, 17. KSV. Among the most attractive countries of CEE region can be found the V4 countries where the leader is POL. In case of POL from the selected determinants the best rank was recorded in GDP total determinant and very high rank in case of population and market perspective. Afterwards the two data sets met in case of BIH (15th place). CZE is also country that reached similar ranking in both data sets because of the successful story in case of GDP per capita and GDP total. Unfortunately the end of the ranking is similar for countries as KSV, ALB, MNE which are not members of the EU.

Even in times of financial crisis is very important in eyes of foreign investors to provide stable and high GDP per capita of GDP in total economy that is competitive on the market and the membership of the EU represent a positive impact.

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Traditional and Regional Foods from the Slovak Consumer's View¹

Malgorzata A. Jarossová² – Veronika Pazúriková³

Abstract

Nowadays consumers are more educated and more demanding about the quality and origin of food than in the past. This forces manufacturers to register their products, whether at national or European level, thus guaranteeing the origin of the product. The aim of this paper is to identify the Slovak traditional and regional foods that are marked as "Protected Designation of Origin", "Protected Geographical Indication", and "Traditional Speciality Guaranteed", and analyse consumer knowledge about these labels and their shopping behaviour. The data were obtained by using an online questionnaire and structured interview technique. The study involved 120 respondents. Slovak consumers are most familiar with "Traditional Specialties Guaranteed" label and the main reason for shopping the traditional and regional foods with PGI, PDO, TSG labels is the guarantee of the product origin.

Key words

foods, PGI, PDO, TSG, Slovak consumer, shopping behaviour

JEL Classification: Q13

Introduction

The European Union (EU) supports the diversity of agricultural production through the agricultural product quality policy, provides protection of product names from misuse and imitation, gives information about the specific nature of a consumer product, protects consumers against counterfeit products and ultimately promotes peripheral regions of the Member States.

Increasing trend in counterfeiting and misuse of traditional names, that led to misleading consumers and discourage manufacturers from ensuring the original recipe were the main reasons to form EU agricultural product quality policy. The agreement of the Member States of the European Union took place in 1992, under which is possible to protect food products at two levels of protection and using three signs:

- first degree of protection (as Protected Designation of Origin – PDO, Protected Geographical Indication – PGI);
- second degree of protection (as Traditional Speciality Guaranteed – TSG).

In 2006 the EU introduced graphic symbols traditional and regional products such as "Protected Geographical Indication", "Protected Designation of Origin" and "Traditional

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Specialty Guaranteed" by Regulation No 509 (L 93, 31.3.2006) and 510 (L 93, 31.3.2006), which were primarily to help consumers choose products with unique characteristics and protect them from malpractice of manufacturers (Aprile et al., 2012).

EU symbols have been designed to publicize this kind of foods. Registration of products protects the product name from unfair appropriation or counterfeit. Especially important, however, is that the EU sign registration ensures, that registered product is safe for the consumer, because it meets the specific requirements of hygiene and is controlled.

"Designation of origin" is a name which identifies a product (Regulation EU No 1151, 2012):

- originating in a specific place, region or, in exceptional cases, a country;
- whose quality or characteristics are essentially or exclusively due to a particular geographical environment with its inherent natural and human factors; and
- the production steps of which all take place in the defined geographical area.

"Geographical indication" is a name which identifies a product (Regulation EU No 1151, 2012):

- originating in a specific place, region or country;
- whose given quality, reputation or other characteristic is essentially attributable to its geographical origin; and
- at least one of the production steps of which take place in the defined geographical area.

"Traditional Speciality Guaranteed" describes a specific product or foodstuff that (Regulation (EU) No. 1151, 2012):

- results from a mode of production, processing or composition corresponding to traditional practice for that product or foodstuff; or
- is produced from raw materials or ingredients that are traditionally used.

The purpose of this designation is to protect the traditional methods of food production, traditional recipes and inform consumers about the characteristics of the product that are added value.

On 3 January 2013, entered into force the regulation of the European Parliament and of the Council (EU) No. 1151/2012 of 21 November 2012 on quality systems of agricultural products and foodstuffs. This regulation combines existing solutions recorded in Council Regulation (EC) No. 509 of 20 March 2006 on agricultural products and foodstuffs as Traditional Specialties Guaranteed and Council Regulation (EC) No. 510 of 20 March 2006 on the protection of Geographical Indications and Designations of Origin for agricultural products and foodstuffs. Major changes are related with the system of Traditional Specialties Guaranteed, and with the new system of optional quality terms. The Regulation introduces one new term - mountain product. Also the definition of the term "traditional" was revised as being in use in the domestic market for at least 30 years (previously it was for 25 years).

There were recorded 1235 food products in the European database of origin and registration (DOOR) to 29.06.2014, 51 applications of the products published and 161 proposals submitted for registration. The most registered products were with "Protected

Geographical Indication" (609), close behind with a difference of only 25 products less were products with "Protected Designation of Origin". Products with "Traditional Speciality Guaranteed" were the least.

Analysing the number of products registered in various countries, the first place was Italy with 264 registered products. Second place - had France (209 registered products) followed by Spain (182), Portugal (129) and the first ten closing Greece (105). Germany, the most populous country in the European Union registered 82 products and Slovakia 15 products.

Compared with the other V4 countries Slovakia is on the third place in respect of registered products. Poland (39 products) is on the first place among the V4 countries, on the second place is Czech Republic (33 products) and the last one is Hungary, which registered only (14) products.

The aim of the article was to identify the Slovak traditional and regional foods with "Protected Geographical Indication - PGI", "Protected Designation of Origin - PDO", and "Traditional Specialty Guaranteed - TSG", but also to analyse consumer knowledge about these labels and their shopping behaviour.

1 Methodology

In this article were used following methods: analysis, synthesis, induction and deduction. The data were obtained by using an online questionnaire and structured interview technique. Online survey conducted on two Facebook pages, which is thematically concerned with Slovak traditional and regional foods ("Valach - Slovak traditional products" and "I prefer Slovak products").

The questionnaire had 16 questions. In this article were analysed the 5 questions related to: 1) knowledge of Slovak consumers about European labels of traditional and regional foods (PGI, PDO, TSG); 2) PGI, PDO, TSG labels as a guarantee of food quality; 3) reasons for buying traditional and regional foods with PGI, PDO, TSG labels; 4) average quantity of purchased traditional and regional foods per week by Slovak consumers; 5) point of purchase the traditional and regional foods by Slovak consumers.

The survey was performed from March 2014 till April 2014. 120 respondents attended in our survey, of which 71,7% were women and 28,3% were men.

The age structure of respondents was following:

- 18 to 25 years were 43% of respondents,
- from 26 to 35 years were 13% of the respondents,
- from 36 to 45 years represented 23% of respondents,
- from 46 to 55 years represented 11%,
- above 56 years is 10% of respondents.

By education dominated respondents with the university education (54,2%) and secondary education (42,5%). Only three respondents had secondary school education without final exams and one person had primary education.

2 Results and Discussion

2.1 Slovak food with Protected Geographical Indication label

To 29 Jun 2014, Slovak Republic registered 7 products with PGI label and 4 products is pending review of the European Commission and one published. As can be seen in the tab. 1, the most food products are classified in the category of cheeses except two. Best known in this category is "Slovak bryndza" - sheep cheese, which is the basic ingredient of the Slovak national meal – "Bryndzové halušky" (sheep cheese gnocchi). In Slovak cuisine, they are presented as the most typical and most Slovaks consider them as a national symbol. Bryndzové halušky can rightly be regarded as Slovak culinary originality, because of a special flavour. Professional literature characterizes bryndza as a dairy product from sheep fermented curd. The name itself introduced shepherds coming with Wallachia colonization during the 14th to 17th century from the Transylvanian region of Romania.

Another well-known Slovak product with PGI of is "Skalický trdelník" - specialty sweet dough with walnuts. Recipe for its production brought to Slovakia a chef from Transylvania in the late 18th century, who served the Hungarian general in Skalica. Other not less significant food products with Protected Designation of Origin are given in tab. 1.

Tab. 1 A list of Slovak foods labelled as Protected Geographical Indication on the day 29.06.2014

Status application	Product name	Date of submission, publication, registration	Kind of product
Applied	"LEVICKÝ SLAD"	20/11/2013	Other products of Annex I to the Treaty (spices, etc.)
	Jihočeská niva	25/10/2013	Cheeses
	Jihočeská zlatá niva	27/9/2013	
	Klenovecký syrec	22/6/2012	
Published	Zázrivské vojky	11/04/2014	Cheeses
Registered	Zázrivský korbáčik	12/03/2011	Cheeses
	Tekovský salámový syr	12/03/2011	
	Oravský korbáčik	12.3.2011	
	Slovenský oštiepok	26/9/2008	
	Slovenská bryndza	11/7/2008	
	Slovenská parenica	11/7/2008	
	Skalický trdelník	15/12/2007	Bread, pastry, cakes, confectionery, biscuits and other bakery products

Sources: Based on European Commission database DOOR (Database of Origin and Registration)

2.2 Slovak food with Protected Designation of Origin label

Slovakia up to now has only one food product registered in the European database DOOR as PDO - Paprika žitava/ žitavská paprika.

It is sweet paprika obtained by the milled dried red pepper fruits Capsicum. "Paprika žitava/žitavská" paprika is grown and processed in the Danubian Lowland, at the mouth of the rivers Váh, Hron, Nitra, and in the river basins of the Little Danube and Žitava. This area has an optimal climate and soil conditions for growing thermophilic plants, which gives the peppers a unique colour, aroma and flavour (Official Journal of the European Union C 247/7, 2013).

Paprika obtains the typical intense orange-red colour in the final stage in grinding, where under the action of pressure, temperature increases and seeds change colour under its own fat. "Paprika žitava/žitavská" paprika has a distinctive sweet flavour reminiscent of fresh tasty peppers and capers. Its fragrance should be sweet with a hint of pepper. Paprika powder must not contain any additives (Official Journal of the European Union C 247/7, 2013).

2.3 Slovak food with Traditional Specialties Guaranteed label

In this category, Slovakia has registered 7 products (Tab. 2) including four together with Czech Republic, i.e. "Liptovská saláma", "Lovecká saláma", "Spišské párky" and "Špekačky".

Tab. 2 A list of Slovak foods labelled as Traditional Specialties Guaranteed on the day 29.06.2014

Status application	Product name	Date of submission, publication, registration	Kind of product
Applied	-	-	-
Published	-	-	-
Registered	Bratislavský rožok/Pressburger Kipfel/Pozsonyi kifli	10.8.2012	Bread, pastry, cakes, confectionery, biscuits and other bakery products
	Liptovská saláma/liptovský salám	22.2.2011	Meat products (cooked, salted, smoked, etc.)
	Lovecký salám/Lovecká saláma	22.2.2011	
	Spišské párky	22.2.2011	
	Špekáčky/ Špekačky	22.2.2011	
	Ovčí hrudkový sýr-salašnícky	4.11.2010	Cheeses
	Ovčí salašnícky údený sýr	19.10.2010	Cheeses

Sources: Based on European Commission database DOOR (Database of Origin and Registration)

Independently Slovak Republic registered: "Bratislavský rožok", "Ovčí hrudkový syr-salašnický" and "Ovčí hrudkový údený syr"). Four of seven products are classified as meat products, two belongs to the category of cheeses and one belongs to the confectionery. "Bratislavský rožok" is the final product that is registered as TSG. It is a sweet pastry with poppy seed or walnut filling.

2.4 Knowledge of Slovak consumers related to European labels of traditional and regional foods (PGI, PDO, TSG)

Our survey show that the most known European labels of traditional and regional foods for Slovaks are TSG and PDO, which indicated respectively (52,5%) and (45,8%) respondents. PGI label knows every third respondents (32.5%). Compared with the European survey (Verbeke et al., 2012), which concerned "Consumer awareness and usage policies determinants of subjective quality of the European Union on traditional foods", our results are slightly different. The most respondents (68.1%) of this research recognized PDO label and in our survey 45.8% of respondents. Moreover, 36.4% of respondents knew PGI label what slightly differs with our result in Slovakia (32.5%).

TSG label is the least recognizable designation among citizens of selected countries of the European Union - only 25.2% respondents know it, in contrast to our research, in which more than half of Slovaks (52,5%) best known this label. How demonstrated in other studies (Grunert, 2005; Verbeke, 2005) consumers have difficulties with distinguish of signs of traditional and regional foods and are often confused.

2.5 PGI, PDO, TSG labels as a guarantee of product quality

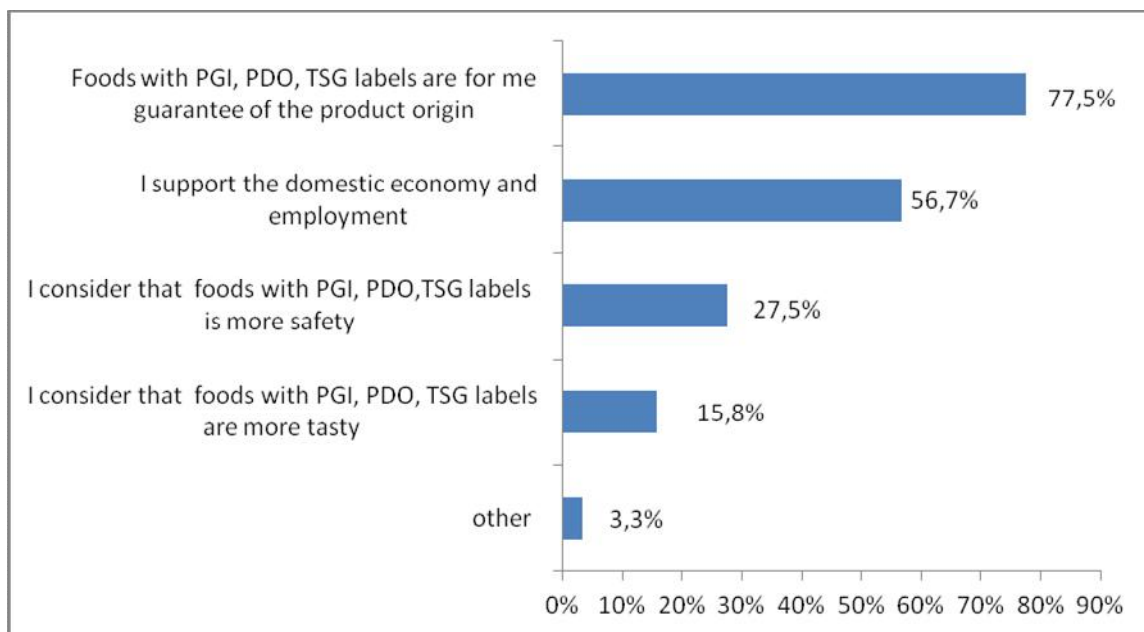
In the next question we wanted to find out whether the European labels of traditional and regional foods are a guarantee of quality for the Slovak respondents. More than a half of 120 respondents (50.8%) answered "probably yes", which may mean that these labels represent for them a guarantee of product quality, but due to the lack of information about them, respondents are not quite sure. For 39.2% of Slovak respondents these labels are guarantee of the product quality. Only 6.7% answered "probably not" and only four respondents (3.3%) answered that these labels are not for them guarantee of product quality. This may be caused by lack of information about these labels and therefore respondents do not trust them.

In comparative studies conducted in six European countries (Poland, France, Spain, Italy, Norway and Belgium) consumers evaluated traditional food selected features, such as: taste, appearance, safety, health, nutritional value, impact on the local economy, the impact on the environment, and the availability, price level and the time spent on preparing meals (Lengard et al., 2011). On the basis of these results, it was found that the Spanish and Italians prefer traditional foods because of the exceptional taste and quality comparable, attractive appearance and high nutritional value. The French consider that traditional food is distinguished by the quality, but also the high level of prices. For Belgians traditional food is associated with high quality, which is the same as our results and while Norwegians in comparison with other countries, evaluated it's the healthiness at the lower level due to the high fat content (Guerrero et al., 2010).

2.6 Reasons for buying traditional and regional foods with PGI, PDO, TSG labels by Slovak consumers

As shown in graph 1, the most important reason to purchase traditional and regional food with a European labels for Slovak consumers is the guarantee of the product origin (77,5%). More than half of respondents by buying these kinds of foods support the domestic economy and employment (56.7%). Nearly 30% of respondents buy foods with PGI, PDO, TSG labels, because they believe that it is more safety.

Graph 1 Reasons for buying traditional and regional foods with PGI, PDO, TSG labels by Slovak consumers



Source: Based on own survey, the results do not add up to 100% because respondents could choose more than one answer

Only 15.8% of respondents think that the PGI, PDO, TSG labelled products have better taste. In the case of "others answers" one respondent stated as a reason a confidence that not to buy a fake product and other respondents indicated that do not buy these products (3%).

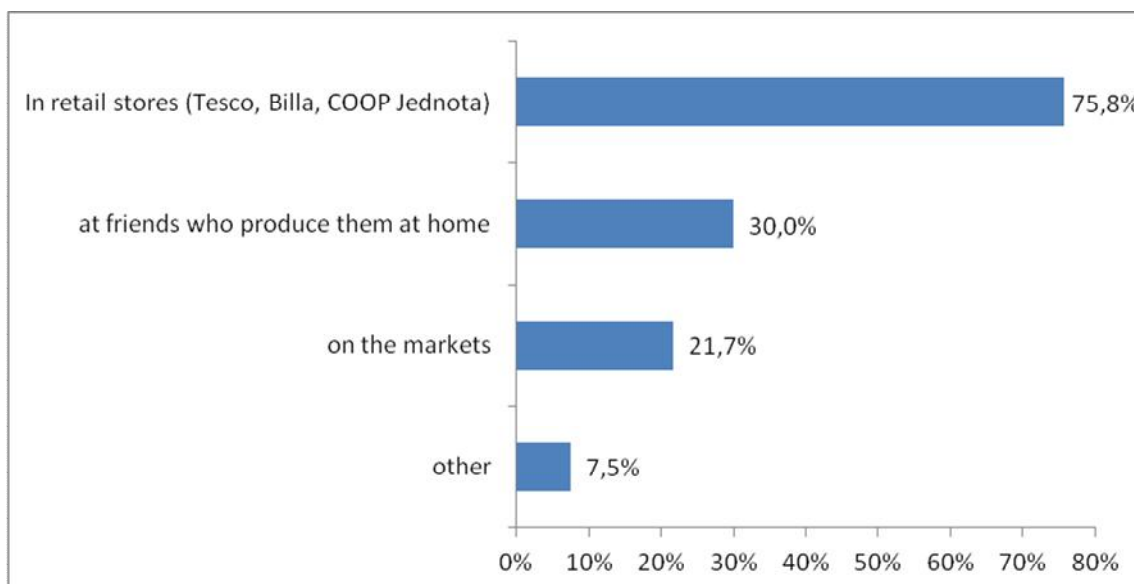
2.7 Quantity of traditional and regional foods purchasing average per week by Slovak consumers

Slovak respondents purchased an average of 2.12 traditional and regional products per week. About 16% of respondents are buying traditional and regional foods less than once a week. The maximum value was 20 pieces of products per week. Slovaks most often buy one product per week (mode = 1).

2.8 Place of purchase traditional and regional foods by Slovak consumers

Respondents are buying traditional and regional foods in retail stores (75.8%) i.e. Tesco, Billa, COOP Jednota. Nearly a third of respondents purchase these foods from friends, who produce them in home and 20% of respondents purchase such products on local markets (Graph 2).

Graph 2 Place of purchase traditional and regional foods by Slovak consumers



Source: Based on own survey, the results do not add up to 100% because respondents could choose more than one answer

Respondent who answered "other" mentioned the possibility of buying in cooperatives stores, in the family or at the sheepfold.

Conclusion

During today's economy, where global products are formed, very often forgotten about the customs and traditions of each country. Therefore, it's very important to protect the tradition and traditional products and dishes.

The most significant contribution of traditional and regional foods lies in promoting the domestic economy, reducing unemployment. Equally important benefit is the preservation of traditions between generations. It is therefore important to raise consumer knowledge about mark of traditional and regional foods, which are a guarantee of quality, origin of raw materials and traditional recipes.

Manufacturers of traditional and regional products are struggling with a difficult situation; they have to maintain traditional production, using raw materials and be competitive. That is why it was necessary to unite under European Union rules for the registration and protection of these products. Designation of PGI, PDO or TSG is the guarantee of the product of origin for consumers. For manufacturer these kinds of products are competitive because of theirs labels which are a trademark and prevent copying of the products.

The aim of the article was to identify the Slovak traditional and regional foods that are marked as PGI, PDO or TSG, but also to analyse consumer knowledge about these labels and their shopping behaviour.

In our article we stated Slovak traditional and regional foods that are registered in the European database DOOR (Database of Origin and Registration) Under the PDO, PGI, TSG and selected we described.

Furthermore, we have shown that the European label of traditional and regional foods – PGI, PDO, TSG are familiar for Slovak consumers. Based on our survey, we can say that Slovak consumers are most familiar with "Traditional Specialties Guaranteed" label, which know (52.5%) of respondents, "Protected Designation of Origin" knows every fourth respondent (45.8%) and "Protected Geographical Indication" knows only one third of respondents (32.5%).

The main reason for shopping the traditional and regional foods with PGI, PDO, TSG labels for Slovak respondents is the guarantee of the product origin (77,5%). 56,7% respondents by buying this kinds of foods support the Slovak economy and employment (56.7%). Another important reason is that this kind of foods for one fourth of the respondents (27.5%) is more safety. Only 15.8% of respondents think that foods with PGI, PDO, TSG labels have better taste.

Slovak consumers buy an average of 2.12 of traditional and regional products per week, mostly in the retail sector (75.8%) and at friends who made them in home (30.0%) or at the marketplaces (21.7%).

Based on the survey results, we recommend raising awareness about the European labels of traditional and regional foods and the foods with these labels. Although the results of the consciousness of Slovak respondents are comparable with respondents from other European Union countries, they are inadequate. The customer will not buy a product with PGI, PDO, TSG labels unless he does not know that it exists and that its indication is a guarantee of specific composition and origin of the product.

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Risks Associated with the Integration of Management Systems¹

Marta Karkalíková²

Abstract

Integrated Management System is a convenient way of managing, which takes into account not only the quality of processes and products, but also access to other management systems. Integrated Management System in the long run increases the effectiveness of the organizational structure and finally ensuring customer satisfaction and all interested parties. The contribution deals with the risks, associated with the implementation of Integrated Management Systems, specifically risks associated with improper integration of individual documents, unprofessional knowledge of qualified personnel, frequently changing regulations. Risk may occur even at incorrect integration of individual standards and a lack of support from the certification bodies. If the Integrated Management System is responsibly and correctly implemented, despite the risks, which may occur in the integration of management systems, the organization obtains an efficient and reliable managing tool.

Key words

management system, risk, quality, occupation health, safety system

JEL Classification: Q 50

Introduction

To achieve competitiveness, enterprises have to monitor not only the development of their business results, but also the degree of customer satisfaction and meet their needs. Therefore, efficient tool for monitoring and sustainability of business appear to be management systems divided by the key areas. The task of management systems is a systematic approach to streamline their processes in an organization using proven methods by which businesses can easily eliminate the risks and meet pre-defined objectives.

Depending on results and objectives that are in control of management systems, we can identify several types of management systems. The basic types include Quality management systems according to ISO 9001 Environmental management systems ISO 14001 Occupational health and safety management systems OHSAS 18001 certifications. Individual management systems can be implemented by the organizations either separately or they can be integrated into a single unit. Integrated Management System combines requirements for company's quality, environmental performance and safety.

Implementation of an Integrated Management System stimulates organizations to analyze customer demands, define the processes contributing to the creation of the

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acceptable product to the customer and keep these processes under control. It also gives organizations assurance, but also to customers, that all processes related to production of goods or services have defined and uniform quality (Nenadál, 2008). Mutual integration of different management systems in the organization develops a synergic effect in terms of compatibility management systems. System approach ensures orientation in legislative requirements and their fulfillment, is to avoid the various risks in the activities of the organization.

Integration of management systems is a complex process, it is necessary to set in advance the vision and the objectives, that the organization wants to achieve, in order to avoid obstacles and risks to the mutual integration of management systems, which may arise from worker's ignorance of procedures in integrating systems, that are involved in the process. Other risks associated with the integration arise from misunderstandings in terminology, wrong documents designing (creation of a quality policy, common objectives establishment in specific areas, guidebook of the integrated management system, records management, internal audits, etc.). Risks in integrating management systems can also arise from poor management involvement, problems with mutual integration of individual systems as well as from the certification and recertification audits, preceding the granting of a certificate for the organization.

From an economic perspective, the most important reason for the introduction of an integrated management system is reducing the cost of poor quality, as well as losses resulting from violations of environmental laws or safety regulations. Integrated Management System is a convenient way to manage which takes into account not only the quality of processes and products, but also access to other management systems. Implementation of management systems according to selected international standards ISO 9001, ISO 14001, OHSAS 18001 and other ISO standards into a single integrated unit depends on several factors, for example the size of the organization, the industry in which the organization operates, cooperation organization's employees and other factors.

1 Methodology

The aim of this paper is to point out the barriers and risks in Integrating Management Systems in an organization that may arise from the interconnection of the various systems into one unit in organization.

The theoretical basis on the issue of integration of management systems have been obtained from scientific publishing books and scientific journals. To obtain initial information, about the risk issue in the implementation of an integrated management system in the organization, secondary research was used as part of the analytic-synthetic method. Secondary research was conducted at the start during gathering information and data on the subject, and also in the survey of the integration of the management systems.

By the method of analysis was described various integration requirements of management systems. In this method, a deeper understanding of the various parts is a prerequisite to a better understanding of the phenomenon as a whole. Between processes, there are relationships and interactions that have been observed using synthesis. The synthesis procedure is contrary to the analysis, represents the unification of the parts selected through analysis into a single unit. Using this method can be identified and understood the internal structure of the surveyed processes and relationships between them.

The induction method is associated with the method of deduction, it is based on the arguments and proceed from specific knowledge to general knowledge, it means that on the basis of available information we can formulate procedures for the integration of the management systems and associated risks. The opposite of induction is the deduction method, which represents progress from the general to the individual, it means that on the basis of objective knowledge is deduced more specific conclusions. This method was used in the processing of theoretical conclusions relating to the integration of management systems. At the primary research stage were applied mathematical-statistical methods and results of the survey have been processed into a summary tabular form. We used Microsoft Excel.

2 Results and Discussion

2.1 Risks in the integration of management systems

Integrated Management System is implemented by the organizations that want to be competitive in the long term. They have to change its approach towards creating optimal values, continuous improvement, social responsibility, environmental responsibility and sustainable development. Integrated Management System is an appropriate way to manage, that takes into account not only the quality of processes and products, but also approach to the environment, safety and health at work. System approach provides effective guidance in legislative matters and their fulfillment streamlines the necessary organizational structure, improves know-how, mutual links and connections. This is related to clarity and simplicity of document management, elimination of duplicity, and reduction of human resources cost, which ultimately leads to ensure customer satisfaction.

Integrated Management System arises by developing the base system in two directions. One is advancing processes and optimizing their organizational arrangements, equally important, however, is a second direction, concerning the behavior of people and their understanding of the system. A decision to implement more than one system depends on the type and complexity of the organization's activities

Integrated Management System connects the functions and processes of the individual elements of management systems according to ISO 9001 Quality Management Systems. Requirements, ISO14001 Environmental Management Systems. Requirements with guidance for use, OHSAS 18001 Occupational health and safety management systems. Requirements. There is an ability to use also other management systems. The task of integration of management systems is a systematic approach to streamline their processes in an organization using proven methods by which companies can more easily meet pre-defined objectives.

In the integration of management systems, there may occur specific risks. Pardy and Andrews note that the success of the best management systems in their integration could be endangered if these systems are not examined or are not supplementing each other. Without a holistic approach to their management and interaction any good-class systems can lead to bureaucracy, duplication, partial optimalization and they may become inoperative (Pardy & Andrews, 2010). If the Integrated Management System is responsibly and correctly implemented, despite the risks, which may occur in the integration of

management systems, the organization obtains an efficient and reliable management system.

Within the actual integration of management systems, it is essential that systems are certified by appropriate standards, but obtaining certificates for all three management systems represents a significant competitive advantage, facilitate entry into foreign markets and is a measure of the organization's approach to quality, environmental protection and safety and health at work. In the context of an integrated management system, some risks may arise with:

- incorrect integration of documentation of an integrated management system,
- competence of manager, responsible for the integrated management system in the organization,
- trained internal auditors,
- non harmonized planned procedures,
- low involvement of top management in the integration management system.

R. Salomone examined integration processes in terms of Italian businesses and found that the biggest barriers in the integrating of management systems, are risks in allocating the incorrect level of importance for each management system in the organization, problem with employees who do not have much knowledge of the management systems, limited integrability of standards and lack of support from certification organizations (Salomone, 2008).

The concept of integrated management system (Balac et al., 2012) in organization shows that to achieve organizational goals, it is necessary to prepare a comprehensive management and administrative activities to achieve concrete results. In the integration of management systems may arise risks that interfere with these activities:

- involvement of managers and employees in the various processes,
- internal and labor costs are the largest part of the funds spent by the organization for the introduction of an Integrated Management System,
- there may incur additional costs with guidance in the implementation of an Integrated Management System, the system auditing, personnel training, and also with system certification,
- implementation of the Integrated Management System is a costly process, especially for small and medium-sized enterprises.

Despite the risk, the importance of integration of management systems, has a positive impact not only on the development of businesses, the economy but also the entire society.

When implementing an integrated management system in the organization, there may occur environmental risks which are among the greatest potential risks to the organization. Based on their assessment, they can be limited when planning the proposed activity. Measures, that were designed to prevent, eliminate, minimize and offset impacts of the proposed activity have to be defined already during the preparatory phase. Reducing environmental risks is also advantageous because of a situation where the company plans to ask financial institutions to provide loans. Large organizations with lots of sub-contractors require from their partners the evidence of implementation environmental management or declaration of environmental policy in the organization.

In the integration of management systems, in an organization, are disagreements with the system solved, generally determined and established rules for the management of disagreement, ergo assessment, identification, evidence, examination of the causes. Identified disagreements are followed by corrective measures. Records of disagreement must be kept at the business department within the meaning of the quality manual. In the integration of management systems is still a need to:

- *evaluate risk* - address the security risks, environmental impacts. Integrated Management System easier compare risks occurring in the enterprise's processes,
- *legislation* – respect to laws in the field of health and safety at work, environmental requirements and other,
- *create programs* – focused on specific programs to improve processes, increase work safety, environment,
- *raise public awareness* – inform the public about the benefits of the introduction of an Integrated Management System and its impact on the environment.

Constantly improving, developing and enhancing the performance of the integrated management system is necessary and conducting regular internal audits and audits of other third parties and applying the principle of systematic and preventive measures. Enterprise minimizes adverse impacts on their activities, and provides quality products. Preventive measure serve to eliminate the causes of potential discrepancies or other unwanted situation and a draft of preventive measure may be brought by any employee to management representatives who decide on its approval. Preventive measures are one of the best forms of improvement and ultimately reducing the cost of quality.

Significant economic effects in the long term brings a set of regularly conducted internal and external audits, as well as preventive measures, the number of which is increasing and decreasing overall costs. One audit usually verifies more than just one system. In realization of audits may also occur adverse events that disturb the integrity and audit schedule. Ultimately have an impact on overall retrospective evaluation of satisfaction with conducting the audit.

The biggest barriers that hinder the development of auditing in companies are administrative and financial requirements, application of auditor recommendations in practice, overtime work of employees and weak mutual association among departments. A positive fact is that organizations are trying to adopt measures proposed by auditor and apply them in their processes, and fully respecting and accepting the disagreements and recommendations.

A successful integration of management systems essentially depends on a good planning and effective implementation. Risks that may arise during the implementation of the management systems are not about the adoption of organizational management as a concept because the benefits of the system are defined. To understand the effectiveness of the integration of management systems, on the one hand, there is no standard that includes requirements for Integrated Management Systems, on the other hand, the integration is carried out on basis of individual standards for each management system through their own requirements (Turof, 2011).

2.2 Barriers to the integration of management systems

Creation, implementation and improvement of the Integrated Management System is executed through the process approach, so the various activities in the company are managed as a process in accordance with the requirements of system standards. Process owner is the one who introduced the process and bears the responsibility for it. Process owner is responsible for its improvement and also manages, solves and eliminates systematic and random effects. He is also responsible for removing the obstacles in the process as well as for the integration of systems. In order to determinate the obstacles in the implementation of the Integrated Management System survey was conducted among businesses which helped identify barriers, benefits and risks of integration of management systems.

For the survey was chosen querying method using a standardized questionnaire. Survey involved 112 organizations that have implemented an Integrated Management System. In addition to the benefits were rated also barriers to the integration of management systems. On the basis of theoretical knowledge were determined seven obstacles that could occur in integration of management systems in the company. Respondents rated barriers in the range from 1 to 5, where 1 means the minimum obstacle and 5 means maximum obstacle to the integration of systems for the organization (Fig.1).

Fig. 1 Barriers to the integration of management systems

Barriers to the integration of management systems	1	2	3	4	5
Difficulties with organizing the integration systems	0 0,00%	4 3,57%	20 17,86%	41 36,61%	47 41,96%
Incompetence of representative responsible for the integrated management system	7 6,25%	26 23,21%	48 42,86%	21 18,75%	10 8,93%
Missing instructions for the integration of management systems	0 0,00%	5 4,46c	35 31,25%	42 37,50%	30 26,79%
Insufficient cooperation between departments	0 0,00%	0 0,00%	6 5,36%	41 36,61%	65 58,03%
Insufficient motivation on the part of employees	0 0,00%	0 0,00%	12 10,71%	31 27,68%	69 61,61%
Insufficient time for the integration process	0 0,00%	8 7,14%	38 33,93%	36 32,14%	30 26,79%
Lack of human resources	0 0,00%	0 0,00%	10 8,93%	27 24,11%	75 66,96%

Source: own procesing

The obstacles to the integration of management systems may be based on the results of the survey including lack of human resources, as mentioned up to 75 organizations (67%), not enough motivation on the part of employees, which marked the 65 respondents (58%) and also the lack of cooperation between departments in company, which rated 65 subjects (58%).

As significant obstacle, the lack of guidance for the integration of management systems, marked 42 respondents (37.5%), 41 respondents (36.61%) rated as a significant barrier the lack of cooperation between departments and the same number of respondents (36.61%) identified problem with organization of systems integration.

Fig. 2 Ranking of barriers to the integration of management systems by average value

Order	Barriers to the integration of management systems	Average value
1	Insufficient human resources	4,58
2	Insufficient cooperation between departments	4,53
3	Insufficient motivation on the part of employees	4,51
4	Difficulties with organizing the integration of systems	4,17
5	Missing instructions for the integration of management systems	3,87
6	Insufficient time for the integration process	3,79
7	Incompetence of representative responsible for the integrated management system	3,01

Source: own procesing

An obstacle is considered incompetent manager responsible for the Integrated Management System which is identified as a relatively average 48 respondents (43%). As well as a relatively average barrier rated to 38 respondents (34%), insufficient of time to integrate. As relatively less significant obstacle, 26 organizations (23%) mentioned incompetent representative responsible for the Integrated Management System and 8 organizations (7%), lack of time to integrate. Seven subjects (6%) perceived incompetent representative responsible for the integrated system as the minimum obstacle to the integration of management systems in the enterprise. It is influenced by organizations that choose to integrate their management systems using services of external advisors and consultants in the implementation of management systems. In order to provide a more comprehensive view on the issue of integration of management systems, we have identified certain risks that may arise during the integration. Respondents could also select multiple answers. In Fig. 2 are shown the data obtained through the survey.

Fig. 3 Risks for integrating of management systems

Risks in the integration of management systems	Multiplicity	
	Absolute	Relative
Incompetence of representative responsible for the integrated management system	31	27,68%
Low involvement of management in an integrated management system	36	32,14%
Eliminating duplicate activities failure	71	63,39%
Increase the cost of the implementation of other systems	85	75,89%
Insufficient specialized consultants and auditors	46	41,07%
Incorrect integration of documentation	64	57,14%
Other risks	38	33,93%

Source: own procesing

Fig. 3 shows that most businesses, up to 85 (76%), perceived as risk increasing cost of deploying other systems. Each implementation of a new system requires increased costs. However, the systems integration costs (for example auditing) decrease compared to the cost of auditing each individual system. Certification organizations assess the fulfillment with the requirements of international standards ISO 9001, ISO 14001, OHSAS 18001 within an Integrated Management System. Considering two or more standards simultaneously, which has an impact on minimizing the costs of assessment and save time to employees of the organization. Another risk that may arise in integrating the failure to

remove duplicate activities. This possibility identified up to 71 subjects (63.39%). Incorrect integration of systems can cause the activities, that are common to several systems, had to be reduced, but they remain duplicate. That may be related to improper integration of documentation, which as risk perceived 64 companies (57%). Survey results indicate that most businesses, up to 75.89%, which participated in the survey consider extra costs of the implementation of additional systems for the integration of management systems as risk.

Other problems that are often reported in the literature are the lack of qualified personnel to cover all system requirements, lack of technical advice and support from the certification bodies (Gangoells et al., 2013).

Integrated Management System increases the effectiveness of the organizational structure in the long run and ensures customer satisfaction and all interested parties. It follows that integration of the systems is not at all a simple process. It requires a proactive approach of employees at all levels as well as the management itself, in order to achieve over time the desired synergies arising from the integration. Implemented Integrated Management System manifests its positive effects within the company and to its surroundings. Dominant external effect of the system is rising level of customer satisfaction and loyalty. These effects are longer-term, they might show a few years after introduction, however they ensure continued improvement of earnings, cash flow and other business results.

Conclusion

Integrated Management System, is a voluntary tool for implementing an effective, systematic and process management. It is also an opportunity for the company to demonstrate its commitment to sustainable development, environmental protection, safety and health at work and to customer relationships. To ensure long-term prosperity all methodologies and processes have to be reviewed regularly. It is necessary to identify those that can be improved or implemented with lower costs while maintaining or improving the quality of output.

Integrated Management System is implemented by the organizations that want to be competitive in the long term. They want to change their approach towards creating optimal values, to continuous improvement, social responsibility, environmental responsibility and sustainable development. Integration of management systems, with all of their effects, have a positive impact not only on the development of businesses, the economy but also to society. Integration of management systems is not a simple process. This requires achieving the strategic synergies, strategic planning, organizational culture based on continuous improvement, competent and committed leadership, trained and qualified employees, consultants with expertise and, finally, sufficient financial resources.

The basic prerequisite for an effective Integrated Management System is to meet the requirements of ISO standards into a coherent whole. Integrated Management System takes time and financial resources during implementation, therefore have to be assessed in the same way as any other longer term investments. With successful implementation of an Integrated Management System the business can get a wide range of benefits, whether strategic, economic, operational, management or benefits for employees.

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Prospects of Foreign Mutual Trade Cooperation between the EU and Ukraine¹

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Abstract

The present paper is aimed at exploring mutual foreign trade relations between the European Union and Ukraine as affected by the common challenges connected to globalization in the field of trade policy. Currently, Ukraine by its political guidelines plays an active role in global integration processes in the world economy. Among the EU's eastern neighbours, it is the most important partner and at the same time with its geographic location connects the EU not only with Russia but also with Central Asian countries. A significant part of the research consists of evaluating the intensity of foreign trade of Ukraine with the EU regions and comparing its trade with the region of the Eurasian Customs Union. Solution is the evaluation and determination of perspectives of trade and investment relations between the EU and Ukraine.

Key words

Ukraine, foreign trade, investment activities

JEL Classification: F21, F14

Introduction

Ukraine, by its political direction is not only opening to the world community, but also plays an active role in global integration processes on the international scene. Among the EU's eastern neighbours, Ukraine is one of the most important partners of the union and at the same time, with its geographic location it connects the EU with Russia and Central Asian countries. Due to its size, natural resources and culture, the country has a special position in Europe, especially in the field of regional policy.

At present the EU with Ukraine face common challenges of globalization in trade and economic policy, but also in mutual improving of the investment climate. Increased economic cooperation between Ukraine and the Union can bring positive effects of growth of the economies of the Member States, which will further deepen the integration processes in Europe.

The aim of this paper is to examine the current development of foreign trade relations and investment activities of the EU and Ukraine and based on the intensity of regional trade between Ukraine and the EU, comparing its trade with the region of the Eurasian Customs Union to determine the direction of development of EU relations with Ukraine.

¹VEGA 1/0391/13 "The importance of third countries for the strategic development objectives of the EU in the post-crisis period (with implications for the Slovak economy)"

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1 Methodology

To achieve the objective, a number of theoretical methods had been used in a form of general methods (abstraction, analysis, synthesis, deduction and induction). At the same time, used were also empirical methods, especially the method of comparison to compare countries, regions and achievements. To visualize and clarify the data on foreign trade special methods were used especially exact or graphic displays.

Information on the possible beneficial effects of regional integration can be detected thanks to regional trade intensity index (RIT indexes), which is measured on the basis of existing trade flows and provides information about the amount of a country's trade with other countries, respectively regions (WTO, 2012/10). For the first time it was used by Yeats (1987/11), which on the basis of econometric analysis pointed to the intensity of regional trade of African countries. The index can also be used in a simpler form, not only in exports but also in import:

$$R_k^{ij} = \frac{X_k^{ij} / X_k^i}{X^{ij} / X^i}$$

Kde: X_k^{ij} – export of the country (region) i commodities k into the country (region) j

$X_k^i = \sum_j X_k^{ij}$ – total export of the country (region) i commodities k

$X^{ij} = \sum_k X_k^{ij}$ – total export of the country (region) i commodities k into the country (region) j

$X^i = \sum_j \sum_k X_k^{ij}$ – total export of the country (region) i

The intensity of trade depends on the value of the index. The higher is the resulting index value, the more intensified is the trade among the countries (regions). In this research were used index values for the intensity of regional trade to detect the intensity of bilateral trade of Ukraine with the EU and its trading comparison with the Eurasian Customs Union (Russia - Kazakhstan - Belarus).

The source for this research were statistics of UNCTAD and UKRSTAT that provide data used for the analysis of mutual foreign trade between Ukraine, the EU and Eurasian Customs Union and mutual investment activities. Commodity structure of mutual foreign trade was classified according to SITC Nomenclature.

2 Results and Discussion

Fundamentals of foreign trade relations between the EU and Ukraine were embedded in a non-preferential Agreement on Partnership and Cooperation between Ukraine and the EU signed on 16th June 1994 in Lisbon, which entered into force in early 1998 (MH SR, 2013/6). This document should have edited, during 10 years, the mutual trade relations between the EU and Ukraine. At the same time, it became an important tool for possible harmonization of the law of Ukraine with WTO principles and the EU single market rules. The main areas engaged in this agreement were: approximation of the law of Ukraine with the EU standards, trade and investment, cross-border cooperation and energy.

Intensified mutual economic relations began in February 2008 by accessing negotiations on a Deep and Comprehensive Free Trade Area (DCFTA) between the EU and Ukraine. DCFTA will be part of the future Association Agreement, replacing the Economic

Cooperation Agreement from 1998. The aim of DCFTA was to create a deep and comprehensive free trade area, which would include except for liberalization of trade in goods also other areas (such as services, investment, trade defense instruments, etc.) Completion of negotiations on DCFTA was in October 2011. Agreement was supposed to be signed in December 2013 and at the same time should be applied the minimum trade provisions of a mutual cooperation. (MZV a EZ SR 2013/7) In March 2014 was signed only the political part of the Association Agreement (respect for human rights, democracy and the fight against terrorism). The economic part of the agreement, which is more fundamental would facilitate access to the EU market of Ukraine by repealing the duty on Ukrainian products was postponed on a later date after the election of the new Ukrainian government in democratic elections in May 2014.

2.1 Development of foreign trade between the EU and Ukraine

The European Union, together with Russia are among the most important trading partners of Ukraine. Nearly a third of foreign trade consists of the cooperation with the EU and therefore are the economic relations with the EU so extremely important for Ukraine. A detailed overview of mutual foreign trade of Ukraine with the EU between the years 2008 - 2012 is shown in Table 1.

Tab. 1 Development of foreign trade between the EU and Ukraine between 2008 – 2012 (in mil. USD)

	2008	2009	2010	2011	2012
Export from Ukraine to the EU	18 129	9 502	13 062	17 969	17 081
Import of Ukraine to the EU	28 854	15 377	19 100	25 755	26 159
Turnover	46 983	24 879	32 162	43 724	43 240
Balance	-10 725	-5 875	-6 038	-7 786	-9 078

Source: processed by the author according to the data of UNCTAD (2014)

The table shows that the mutual foreign trade was the highest in 2008 and in 2012 it still not received the level of the value of the pre-crisis period. EU share of foreign trade of Ukraine in 2012 was approximately 30%. (For comparison, in 2007 the mutual foreign trade accounted for 33.7% of total foreign sales of the country and in 1998 it was only 13% (Kašťáková, 2009). Ukrainian exports in 2012 fell by almost 5% compared to year 2011. On the other hand, imports from the EU increased by 1% compared to the previous year. The largest decline in mutual foreign trade by 50% was recorded in 2009 due to the impact of the global economic crisis. Mutual trade balance was in the period under review passive from the Ukraine point of view and since 2009 has reached increasing tendency.

A detailed overview of the major trading partners of Ukraine among the EU countries in 2012 is shown in Table 2.

Among the most important trade partners from the EU in the researched period were: Poland, Germany and Italy. The other major trading partners of Ukraine belonged other V4 countries (Hungary, the Czech Republic and Slovakia). The smallest share of Ukrainian exports to the EU had: Slovenia, Malta and Luxembourg which share in 2012 was less

than 0.1%. In the same period, Ukraine imported the least from the EU countries such as: Portugal, Luxembourg and Malta (UNCTAD, 2014).

Tab. 2 The most important trade partners of Ukraine among the EU countries in 2012 (in %)

Export		Import	
EU country	Mutual export share	EU country	Mutual import share
1. Poland	15.08	1. Germany	26.02
2. Italy	14.52	2. Poland	13.64
3. Germany	9.63	3. Italy	8.54
4. Spain	9.01	4. France	6.37
5. Hungary	8.84	5. Czech	4.77
6. Netherlands	4.86	6. Hungary	4.43
7. Czech	4.14	7. United Kingdom	4.39
8. Slovakia	3.94	8. Netherlands	4.29
9. Bulgaria	3.33	9. Romania	3.55
10. Romania	3.23	10. Litva	3.49

Source: processed by the author according to the data of UNCTAD (2014)

Commodity structure of Ukrainian exports to the European Union has not fundamentally changed in recent years. Regarding the share of exports of individual classes of SITC on total exports to the EU, it was essentially stable. A detailed overview of the commodity structure of Ukrainian exports to the EU in the years 2008 - 2012 is shown in Table 3.

Tab. 3 Development of commodity structure of Ukrainian exports to the EU under the nomenclature SITC in years 2008 – 2012 (in mil. USD)

Nomenclature SITC	2008	2009	2010	2011	2012
0 Food and live animals	1275.80	805.17	573.67	1581.88	2853.58
1 Beverages and tobacco	37.12	31.05	28.59	26.30	26.33
2 Crude materials	3274.49	1861.72	2692.57	3444.09	3394.49
3 Mineral fuels	1480.34	593.21	887.95	1484.23	1167.16
4 Oils and fats	667.62	479.33	643.75	681.27	831.47
5 Chemicals and related products	1119.97	497.62	633.11	1136.12	853.42
6 Manufactured goods	7076.42	2763.67	4901.65	6488.04	4563.65
7 Machinery and transport equipment	2087.44	1624.52	1827.34	2060.00	2508.03
8 Miscellaneous manufactured articles	1084.30	825.61	843.28	1024.53	852.19
9 Others	25.50	20.43	29.72	42.64	31.12
Total	18129.01	9502.34	13061.63	17969.10	17081.45

Source: processed by the author according to the data of UNCTAD (2014)

In 2012, far the largest share of the total Ukrainian exports to the EU had a class 6 - products market with a share of 26.72%. The class includes product groups such as: leather and articles thereof, paper, iron and steel, metal products, rubber products and so on. In 2012, to the biggest consumer of Ukrainian market products from EU countries belonged: Italy (1 273.42 million USD), Poland (784.36 million USD) and Germany (501.97 million USD). Slovakia imported from Ukraine market products worth 114.1 million USD. Second place went to class 2 - the raw materials including: hides, wood, oil, textile fiber, iron and metal ores, crude rubber and others. A portion of this class was 19.87%. The third place in the 2012 was food (class 0) with a share of 16.71%. This was followed by machinery and transport equipment (14.68%), mineral fuels (6.83%), chemicals (5%), industrial products (4.9%) and oils and fats (4.8%). Had the smallest share of the other groups (0.18%) and beverages and tobacco (0.15%).

Similar was the situation with commodity structure of imports from the European Union to Ukraine by the means of the import share of each class on total imports from the EU in recent years have not change significantly. A detailed overview of the commodity structure of Ukrainian imports from the EU in the years 2008 - 2012 is shown in Table 4.

Tab. 4 Development of commodity structure of Ukrainian imports from the EU under the nomenclature SITC in the years 2008 – 2012 (in mil. USD)

Nomenclature SITC		2008	2009	2010	2011	2012
0	Food and live animals	1977.16	1461.84	1665.49	1841.14	2240.68
1	Beverages and tobacco	218.17	147.43	228.32	306.38	345.82
2	Crude materials	493.16	323.36	414.07	510.19	520.96
3	Mineral fuels	1993.22	786.46	1221.35	1747.95	1955.25
4	Oils and fats	75.24	81.39	70.26	65.95	96.27
5	Chemicals and related products	5306.79	3990.54	4816.13	5804.26	6070.01
6	Manufactured goods	4901.43	3054.87	3789.59	4596.43	4265.64
7	Machinery and transport equipment	11606.77	4375.02	5468.80	8891.58	8950.75
8	Miscellaneous manufactured articles	1744.34	984.57	1132.78	1427.06	1432.32
9	Others	537.52	171.52	293.19	563.64	281.24
Total		28853.80	15377.00	19099.99	25754.56	26158.94

Source: processed by the author according to the data of UNCTAD (2014)

The biggest import class of Ukraine from the EU was the class 7 - machinery and transport equipment including: energy machinery and equipment, metalworking machinery, road equipment, including air and others. In 2012 their share was 34.22% of the total Ukrainian imports from the EU. Most Ukraine imported from Germany (3.16 billion USD), Italy (0.85 billion USD) and the Czech Republic (0.77 billion USD). When compared to Russia, Ukraine imported during the same period of the commodities worth of 2.93 billion. USD so we can say that the European Union is in machinery and transport equipment the major trading partner. Second place in terms of the share of imported commodities belonged to class 5 - chemicals which includes: medical and pharmaceutical

products, plastics, dyes and various others. Share of chemicals in 2012 was 23.20%. Ukraine imported chemicals mainly from Germany, France and Poland. The third most important import commodity class was marketing products which share of the Ukrainian import from EU has gradually slightly decreased. In 2012, the share reached 16.31% (worth 4.27 billion USD), but even in 2010 the proportion was nearly 20%. Ukraine market products imported mainly from Poland, Germany and Italy. The smallest group of Ukrainian imports from the EU was raw materials (2%), beverages and tobacco (1.32%), other (1.08%) and oils and fats (0.37%).

2.2 Comparison of the intensity of foreign trade of Ukraine with EU regions and the Eurasian Customs Union

The table shows that in all commodities, in which trade of Ukraine with the EU reaches the most important value of the intensity of regional trade while in Ukraine trading with the region EACU reached in the investigated commodities relatively low intensity value of regional trade. In general, these commodities with low added value, the Ukrainian economy does not favor such as the export of products with higher added value, which should be more important for its economy.

From the research we came to the knowledge that the intense of exported commodities into the region of the EU is relatively higher than the intense of exported commodities to EACU. Chapter exported with the highest intensity in EACU were mainly: plastics in primary form, meat and meat products, prefabricated construction, paper, fish, road equipment, including aircraft, modified plastics, gas and non-metallic products.

Tab. 5 10 most intense export commodities from Ukraine to the EU region and comparison with the region of Eurasian Customs Union on the basis of index values RIT in 2012

	Export according SITC classification	EU region	EACU region
1.	61 Leather, leather manufactures	3.52	0.20
2.	84 Articles of apparel and clothing accessories	3.33	0.47
3.	25 Pulp and waste paper	3.12	0.05
4.	83 Travel goods, handbags	2.90	0.44
5.	21 Hides, skins and furskins	2.83	0.00
6.	22 Oil-seeds and oleaginous fruits	2.83	0.05
7.	75 Office machines	2.63	0.56
8.	85 Footwear	2.62	0.95
9.	24 Cork and wood	2.41	0.04
10.	08 Feeding stuff for animals	2.39	0.54

Source: processed by the author according to the data of UNCTAD (2014)

In the field of import was the intensity of Ukrainian imports from the EU in most SITC (foodstuff, beverages and tobacco, oils and fats, chemicals, market products, machinery and transport equipment, and other industrial products) higher than from the EACU region. There were intensive trade classes: raw materials and mineral fuels. A detailed overview of 10 most intense Ukrainian commodities imported from the EU region and its comparison of regions EACU is shown in Table 6.

Tab. 6 10 most intense import commodities from Ukraine to the EU region and comparison with the region of Eurasian Customs Union on the basis of index values RIT in 2012

Import according SITC classification		EU region	EACU region
1.	96 Coin (other than gold coin)	3.24	0.00
2.	41 Animal oils and fats	3.24	0.00
3.	00 Live animals other than animals of division	3.20	0.01
4.	21 Hides, skins and furskins	2.67	0.00
5.	63 Cork and wood manufactures	2.33	0.32
6.	59 Chemical materials and products	2.26	0.23
7.	08 Feeding stuff for animals	2.25	0.39
8.	53 Dyeing, tanning and colouring materials	2.19	0.22
9.	64 Paper, paperboard	2.18	0.52
10.	04 Cereals and cereal preparations	2.17	0.42

Source: processed by the author according to the data of UNCTAD (2014)

From the EACU was the most intense import of class 3 - mineral fuels, of which just chapters: gas, electricity, gasoline, coal, coke and shale. Other important chapters are: fertilizers, pulp and waste paper, raw rubber, energy equipment, non-ferrous metals and iron and steel. It can be concluded that mainly import of raw materials and mineral fuels from the countries of EACU is very important for Ukraine as they are commodities produced with higher added value.

2.3 Development of mutual investment activities

Ukraine offers great possibilities for implementation of investment projects, because in terms of the values of foreign direct investment (FDI) it lags far behind the market economy developing world. Currently, in case of interest in investing in Ukraine it is necessary to consider possible risks of the Ukrainian economy, which is monopolized by a few financial and industrial groups and the success of the investment process is influenced by the relationship with the local executive bodies (MZV a EZ, 2013/7).

In terms of sectoral breakdown of FDI from the EU to Ukraine, most investment aimed to industrial enterprises and agriculture. Processing of agricultural products, food industry, business network, as well as engineering, transport and communication belonged among sectors of the economy which were for foreign investors the most attractive. (Kašťáková, 2009/5) Proved is that one of the most promising sectors of investment vehicles, agriculture and livestock production was almost 10% increase over the first three quarters of 2013 compared to the same period in the previous year. While maintaining such a growth rate, Ukraine can double its agricultural production and become a country with developed agriculture. Other promising areas of investment include construction of urban infrastructure, improve energy efficiency businesses and streamlining municipal.

European Bank for Reconstruction and Development (EBRD) is currently one of the largest financial investor in Ukraine. Until March 31st, 2013 it carried out 337 projects in Ukraine worth more than 8.63 billion EUR. Priorities of the EBRD are a stable and open banking system, upgrading infrastructure and promoting sustainable and efficient use of energy. The new development strategy for Ukraine was approved by the EBRD in 2011 with validity until 2014. The main sectoral focus areas are energy, business, infrastructure, financial sector and capital markets. Current projects can be divided by sectors as follows:

industry, trade and business in agriculture (29%), energy (22%), financial sector (25%) and infrastructure (24 %) (EBRD, 2013).

Connections of investment flows between the EU and Ukraine is strong, as evidenced in Tables 7 and 8. A detailed overview of the development of FDI inflow to Ukraine in the years 2009 to 2013 is shown in Table 7.

Tab. 7 Development of FDI inflow to Ukraine in the years 2009 – 2013 (in mil. USD)

	2009	2010	2011	2012	2013
FDI inflow to Ukraine	35 616,4	40 053.0	44 708.0	50 333.9	55 094.2
FDI inflow from EU to Ukraine	28 127,7	31 608.5	35 225.2	40 331.8	43 431.0

Source: processed by the author according to the data of UNCTAD (2014)

The largest foreign direct investment to Ukraine comes from the EU, which in the years 2009 - 2013 had steadily grown. Based on data from the Statistical Office of Ukraine, we can conclude that in the period under review accounted for FDI inflows from the EU to Ukraine on average 79.13% share of the total volume of FDI to Ukraine. The largest share was 80.13% in the EU in 2012 and reached the lowest in 2013, which accounted for 78.83%.

In the field of Ukrainian FDI outflows to the EU, the situation was similar, although volumes were much lower. A detailed overview of the development of FDI outflows from Ukraine in the years 2009 - 2013 is shown in Table 8.

Tab. 8 Development of FDI outflow from Ukraine in the years 2009 – 2013 (in mil. USD)

	2009	2010	2011	2012	2013
FDI outflow from Ukraine	5 949.0	5 910.9	6 523.9	6 518.3	6 046.6
FDI outflow from Ukraine to EU	6 203.1	6 226.3	6 868.3	6 899.7	6 483.3

Source: processed by the author according to the data of UNCTAD (2014)

Share towards investment from Ukraine to the EU in the years 2009 - 2013 was an average of 94.71%. FDI had gradually increased until 2011 and then had a slight downward trend. The largest share of 95.9% of FDI was directed into the EU in 2009 and the lowest was in 2013, accounting for 93.26% of the total FDI outflow from Ukraine.

Conclusion

From the carried out research and gained knowledge based on the analysis of foreign trade of Ukraine with the EU, mutual investment activity and comparing the intensity of regional trade of Ukraine with the EU, we came to the conclusions and recommendations, which can be summarized as follows: the EU ranks among the most important trade partners of Ukraine and the intensity of mutual trade is growing steadily, helped by the process of ensuring contractual business relationship. Based on the analysis conducted

foreign trade between the EU and Ukraine the most important export commodities to the EU were market goods and raw materials (iron and steel, cereals and cereal products, oilseeds, iron-metal ores and scrap metal), commodities with lower added value. On the other hand, Ukraine imported from the EU commodities with higher added value, and machinery and transport equipment, chemicals, market goods (road equipment, including aircraft, medical and pharmaceutical products, electrical engineering). At the same time a significant position among the major trading partners of Ukraine belonged to the EU member countries: Poland, Germany and Italy.

The results of research comparing the intensity of regional trade of Ukraine with EU regions and regions EACU pointed out that Ukraine has increased trade with the European Union. Most intense Ukrainian exported commodities to the EU were goods of lower value added and into the EACU with a higher value added. In the field of import to Ukraine from the EU's, with the largest trading intensity were commodities with higher added value and from the EACU and it was mainly mineral fuels and products with lower added value.

Ukraine's position as the most important foreign trade partner of the EU is constantly increasing, as evidenced by the results testified in mutual investment activity. During the reporting period, most FDI went to Ukraine from the EU, the share accounted for almost 80%. The largest investors were: Cyprus, Germany, the Netherlands, Austria and France. It can be concluded that the prospects for mutual foreign trade and investment cooperation between the EU and Ukraine will have positive tendencies.

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Geomarket-Importance of its Application in the Slovak Retail Trade¹

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Abstract

The article deals with geomarketing and importance of its application under the conditions of Slovak retail trade, which changes the conditions of functioning of retail stores. In the first part it gives the characteristics of methodological aspects of geomarketing with regard to the specifics of development of Slovak trade. In the second part it gives details of the basic starting points of application of geomarketing in business units. The final part deals with the main tendencies of development of geomarketing in trade as an instrument of segmentation which has a positive influence upon the development of personalized commercial offer under the conditions.

Key words

geomarketing, retail trade, store, database

JEL Classification: M31

Introduction

Although geomarketing emerged in the eighties of the last century, this technique of processing of statistical data about market was still neglected in spite of the fact that in every period people tried to get localized in the space and give their analyses geographical dimensions. It was necessary to wait for the development of modern communicative technologies in the nineties of the last century, which made it possible to implement cartographical techniques applied in marketing. The basic starting points of geomarketing lie in the following postulate: the place in which the person lives forms his/her socio-economic profile, structure of way of life, frequency of visiting stores and in the widest sense its consumer behavior (Dudek-Mańkowska & Križan, 2010).

Making use of informatics makes it possible to record sociological data about customer which leads to a more precise segmentation of market and use of the techniques enabling personalization of commercial offer and use of the strategy orientated at customer. These procedures are bringing the customer the greatest value possible on the basis of personalization of relation by revealing the product value for the customer, they strengthen the relationships with the customer on the basis of qualitative and quantitative information about customers, they coordinate the set of instruments of enterprise orientated at the transactions in the market. For this reason the article deals with geomarketing and importance of its application under the conditions of Slovak retail trade, which changes the conditions of functioning of retail stores.

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1 Methodology

The procedure of processing and structure of the paper includes two parts. The first one is a theoretical starting point of the study aimed at researching the scientific publications dealing with geomarketing and development of Slovak retail trade. This part is collecting secondary data which were analyzed on the basis of comparison method with the aim to find out and evaluate the opinions of different authors in solving the application of geomarketing in Slovak retail trade.

Geomarketing or area marketing is of interdisciplinary character and connects two spheres, specifically marketing and geography. Marketing as a scientific discipline is orientated at an individual in his/her economic context, i.e. being taken as a consumer. Geography is one of social sciences dealing with area aspect of positions of an individual in reality. Geomarketing as a specific application of area economy analyzes behaviour of consumers from the point of view of area created not only by the total of elements but also by relations among different elements. Mutual combinations among the elements and relations in the area can be understood by means of models.

Area aspect is becoming the main sign connecting different scientific disciplines. According to R. Brunet (1987) at present there is a tendency to call geography everything what together with natural signs includes an area dimension of social phenomena. This term includes a concept of area dimension of social phenomena which is called behaviour. Behaviour of an individual is not the only subject matter of research in the geo-graphical area. Other phenomena such as climate, road network and the like are often in mutual correlation with consumer behaviour.

Geomarketing is based on the concept of homo-economicus (an individual from a long term point of view behaves rationally and conveniently in relation to his/her living standard), which includes the area and economy. The approach of geomarketing is based on the ways of research and understanding the economic phenomena caused by modern world exchange. But nevertheless geomarketing is only one of the disciplines of research in the sphere of economy.

Descriptive research in geography, which as part of geomarketing (together with cartography it illustrates the localization of retail operating units in a graphical form on the maps) makes it easier to clarify the impact of the lay of stores on purchasing behaviour of consumers and makes the decision making on the concept of development of retail network easier (Križan, Tolmači & Lauko, 2008). The map gives a character expression of schematically or mathematically defined context of the illustrated objects and phenomena, which expresses their position, condition and relation. This part should be focused on identification of paper aims and description of used methodology and scientific methods.

The problem of area (geographical) aspects of study of retail trade has not been systematically dealt with in the Slovak economy and geography. It is not because of distributors' small interest in geography in retail trade and mainly geomarketing (Križan & Lauko, 2014). It is the character of market of Slovak retail trade, in which at the beginning of the nineties due to the transformation of economy existed some impulses for the development of retail units of different sizes and organization structures. The growth of personal consumption, the shortage of which in the volume and structure was one of the symptoms of higher demand in comparison with supply in the previous economic system, made it possible for even dead end retail operations to survive in this period and at the same time it presupposed responding changes in retail trade. In spite of the fact that at the beginning the Slovak retail network was lagging behind other European retail trade

operations, at the end of the nineties the processes of concentration were replaced by the period of atomized development of retail network. In that period there were important development changes due to the changes of economic, political, technological and social and other conditions. Besides the process of concentration the main trends also included the processes of internationalization, market dominance and diversification. With regard to the fact, that at present the retail trade represents a considerably concentrated market, geomarketing concerns all trading enterprises. But there still exist differences among them as far as different size and different strategic level of decision making are concerned. Nowadays there are many enterprises in the market which are offering a manifold and rich assortment corresponding with the purchasing power. With growing level of retail network the customer has more and more possibilities of selection among different alternatives of purchases even of identical kinds of products and thus also the opportunity to prefer new qualitative aspects of his/her decision making to quantitative ones. He/she has used to making bigger purchases once or twice a week and there is an increasing tendency of travelling by car to do shopping in more distant stores equipped with car parks and offering a choice of modern brand goods. We have been witnesses of a relatively contradictory development tendencies in building retail network, but also in purchasing behaviour of consumers. The share of small shops in total sales has been decreasing in favour of wide assortment of large space formats, but at the same time their preferences in the selected categories are increasing. Customers do not purchase all in one place, they have used to seek convenient solutions according to a specific situation. The same customer purchases in different shops. He/she seeks goods of luxurious demand and at the same time he/she is not reluctant to do shopping at reduced prices in discount shops. In spite of that the interest of distributors in geomarketing is increasing. The main reasons lie in an intensive offer and in a keen competitive environment on the side of trade and in a pressure of external environment on business enterprises (Kita et al., 2012). The shock of the world trade caused the decline of demand of consumer goods and the uncertainty generated by the crisis paralyzed the offer. The combination of these factors resulted into recession which caused unbalance also in the economy of Slovakia. There is one more element which must be added to this global context, which is a distribution of advertising materials and prospectuses. The terms ecology and permanently sustainable development are becoming more important for business organizations, that are willing to offer their customers the products and services, which will permanently satisfy their required or expected needs and which will meet all general conditions including the legislative ones. The pressure on distributors by the state bodies, ecological associations and people is growing. The share of small shops in total sales is decreasing. These examples show that at present the retail enterprises are under a concentrated pressure which makes them be more competitive and optimize their assortment, marketing communication, implantation of retail units and the like. At the same time they are forced to take into consideration area aspects of their activity with the aim of optimization of their results. In this context they must be trying to increase their performance on the basis of their relation with a customer. If distributors are made change their philosophy, the decision making instruments are changing their form and some of them also their substance.

There are two directions of the development: on one hand the accessibility of geographical information systems, which relate closely to further expanding of business firms in a given geographical locality, is much more simple. On the other hand, from strategical point of view, the instruments of decision making help the decisions of top management of firms. As far as the simplicity of instruments is concerned, the progress in this sphere is undisputable. The accessibility of instruments is a priority of the companies

which are offering automated and standardized data processing by means of geographical information systems. In geomarketing two phases can be distinguished. The first one includes research, production and analysis of information. The second one is connected with spread of information. It is the second phase which in recent years has noticed a considerable development connected with decline of prices of the offered information. Single used approach oriented only at specialists is being substituted by approaches orientated at users who are not experts, but rather operative workers and practitioners (heads of retail units, managers of store departments and the like). This presupposes the adaptation of instruments of decision making, their simplicity, intelligibility and interactivity, which makes it possible to evaluate given locality, optimize assortment and distribution of leaflets and the like. The instruments of geomarketing are characterized by elasticity, simplicity and lower costs. But this development is not a result of good will of operators of geomarketing only. It results from the fact: marketing of distributors is becoming more local. It requires an effective triptych quality/price/term of delivery to be applied. Whilst large retail chains regularly make researches of awareness of a given format of the store and its image as well as satisfaction of customers at the local level, small firms are also required to know the sphere of its activity. After the period of centralization of decision making in the previous management system, business firms give the managers of stores more freedom in decision making to increase the adaptability and reactivity to consumer needs. Marketing considerations are no more the task of marketing and production managers at the top level of management only, but also of managers at lower levels of management with the aim of expanding the operation of enterprise in the given geographical locality and reaching higher competitiveness, which is influenced especially by participation of a specific subject in flexibility of enterprise and thus his ability to respond flexibly to the dynamically changing condition of the market and which finally brings a long-term improvement of economic results. There are still many business firms which do not use the latest instruments of geomarketing also because of the fact that the development in this sphere is dynamically progressing and bringing new solutions. At present it is high time to deal with the problems of cartographic depiction of retail network with the aim of creating a value. Geomarketing is becoming an instrument of strategic decision making. According to the authors J. P. Douard and M. Heitz (Douard & Heitz, 2004) there exist seven key phases of realization of geomarketing: the aims of geomarketing, defining the aims and defining the implantation of retail unit, geographical level at which the analysis is made, disposable and suitable information, creating the database of information, realization of the system of processing and analyzing the data, transfer of information. It is important for firms not to deal only with the sphere of interest of present customers but rather to deal with the operational zone of the store. It concerns a potential area from which the store gets the customers. Definition of this area is focused on determining two components: time necessary for transfer and attractiveness of the store (Kita, 2008). Then it is easy to qualify and quantify the demand within this area from the point of view of numerous criteria without disappearing of the operational logics of decision making. The credo of managers of Slovak stores should be: not to be limited only to a certain interest sphere of the store, but to be interested in the holders of loyalty cards, if the store wants to realize all its potential. A special attention should be paid to the zones, in which there are face to face conflicts with competition (e.g. to shopping centers) and in which consumers are unloyal and are brand and shop switchers. The said zones are too often neglected in favour of the zones which the store knows. The sales in these zones can be of interest for the store. On the basis of geomarketing it will be possible to make analysis of the spheres of interest of the stores, estimation of theoretical potential of sale, simulation of development strategies, foreseeing the sale, optimization of

operational marketing activities. A more expressive interest in the problem of geomarketing in the Slovak retail trade can be seen in connection with development of geographical information systems (Kita, 2013) and applications of geomarketing in retail trade (Kita, 2013) and the like. Great dynamics of Slovak retail trade in the latest years (according to the Statistical yearbook 2013, 47, turnover is 49 061 mil Euro) is creating new conditions for application of geomarketing on a larger scale namely in connection with the changes of structure of retail network which are related to the manifestations of globalization (Križan, 2009), use of information and communication technologies and with radical changes in consumer behaviour.

2 Results and Discussion

On the basis of evaluation of the data in the theoretical part and comparison of the procedures of authors dealing with geomarketing, the main issues related to application of geomarketing, which can help retail points of sale prosper, have been suggested.

2.1 Knowledge of consumer – a starting precondition of geomarketing

On the basis of socio-demographical and geographical data on customers geomarketing makes it possible for the stores of retail chains to differentiate communication strategies which fit a given locality. Registering the loyalty cards e.g. Club Card, Billa Club, Ikea Family, DM active beauty or loyalty cards of the clothes shops, the management of company knows the customer's name, address, e-mail address, mobile phone number and simply by analyzing the purchases of a customer it processes his/her purchasing pattern. According to that it knows exactly where to who it should send leaflets and SMS discounts according to what he/she buys most.

A detailed database, which has area dimensions, enables the enterprise to respond to the expectations of existing customers as quickly as possible and to approach the potential customer as close as possible on the basis of an effective direct marketing.

Area analysis of geomarketing (Latour & Le Floc'h, 2001) is connected with a specific approach to observing and understanding the events. It regards to a description of what is happening in a given territorial unit, namely by means of numerous variables, some of them being the main factors. On the basis of this description it is possible to create an arrangement of transfer of customer of a specific territory, which in further phase can be modelled with the aim of deciding about new business activity.

Employees of the sales unit in the new conditions connected with application of geomarketing will no longer be taken only for a motivated sales staff, but for competent colleagues offering services to a customer. Their task will not be to sell products, but to help customer define his/her expectations and build communication with him/her in the way of offering services and products maximizing his/her satisfaction.

2.2 Application of geomarketing at the local level

Geomarketing at the local level can also be characterized as a marketing of place or marketing of the store. Its aim is a combination of the local factors, which is adapted to customer as much as possible at simultaneously respecting the specific features of the existing type of the store or chain. Architectural shape of new large space store is standardized, but the type and layout of the facilities together with decoration as well as sale offer and marketing communication take into consideration the specific characteristics of the region.

In this context the standard merchandising concerns the activities realized in the selling places with the aim of improving distributor's marketing and a result of combination of merchandising and geography concerns the adaptation of assortment to the local context (Fady, Renaudin & Vyt, 2007). These activities relate to the structure of assortment, presentation of products in the store, animation and information at the selling place, management of the store etc. The use of geomerchandising makes it possible to adapt the assortment of the relevant sphere of interest to the store and offers of competition.

This ability to understand the expectations of local customers in creating the assortment helps gaining new customers and growth of loyalty of the existing portfolio of customers. This is not an obstacle for the retail chains in using global marketing, the aim of which is to optimize the performance of each department of the store nationally as well as internationally. In principle it is a role of managers: to innovate the assortment which better corresponds the expectations of customers, to better organize its layout in the display facilities of the store, to better plan the events supporting the sale and to better manage the stocks.

In spite of the positives given above geomarketing is a technique of decision making, which the least is known for businessmen. The enterprise which decides to apply geomarketing must be aware of economic contributions of this approach. The sales of the store are mainly connected with its localization. The quality of diagnostics is decisive for the enterprise of distribution, because wrong implantation of retail unit can de-grade great investments. The localization of the store is a key factor of success of its business activity.

Geomarketing expertizes are still a speciality due to the fact, that few universities dispose of specific education in this sphere. Due to this the methodology and adaptation of some practices in data processing are missing, which may cause problems for decision makers. At the University of Economics in Bratislava, within the university study program in French The Management of Sale, the subject Instruments of Implantation of a Distributor, which is orientated at the problem of geomarketing, is taught.

2.3 Application of geomarketing at the local level

Geomarketing helps retail chains measure the performance of their networks of units and define the schemes of development with the aim of optimizing the chain. Measurement of performance of network requires the audit of localization of existing stores. For a long time the area value of the store has been researched on the basis of conversion of the sales area and on this basis the attractivity of sales unit was estimated.

This idea was the basis for development of retail chains. But the network is not a chain of isolated stores. These are interconnected and the strength of the network results from the interactions and synergy. The classical concepts of calculation of density do not correspond with reality. The chain must consider whether it will open or close the store on the basis of complementarity of the network from the point of view of regional cover and spatial coherence. A suitable area cover requires a relevant range of services provided to customer and so it gives the reasons for the existence of unprofitable isolated units. It enables a viable approach to the media not risking the loss of the public and is a bearer of image and proximity of relations with customer. The right spatial cohesion increases the competitiveness thanks to managing the purchases and logistics.

Development of network and its accessibility must start from these phenomena. Implantation of stores, which are too far from each other creates the growth of costs and problems with supply. It is better not to implant the store in a given area than to be insufficiently presented.

Conclusion

Geomarketing provides mainly the large space units with the instruments of marketing, commercial and communicative activities. It enables them to expand the network of retail units, optimize existing stores, specify local activities, and create network of advertising means and the like. At the same time the approaches in development of geo-marketing information systems focused on users who are not experts but rather operational workers and practitioners (those in charge of retail units, managers of store departments and the like) make it possible to evaluate the specific locality, optimize assortment and distribution of leaflets and the like.

Managing the data of geomarketing changes the classical methods of operation of Slovak retail stores. At present these are still more concentrated on management of tangible assets (Miklošik & Hvizdová, 2012), whilst the databases relating to available knowledge by means of processing and realization of information concern mainly intangible assets which are in permanent development.

Instruments of geomarketing are characterized by their elasticity, simplicity and lower costs. They totally harmonize with one to one marketing as they make it possible to personalize the sales offer. The present geomarketing is still of static character with regard to the fact that it relies on the past data. The perspectives of growth of mobility and interactivity are offering new opportunities which make it possible to provide necessary information to the geocoded address of customer.

An important role in application of geomarketing in practice of Slovak retail trade is played by the study program Management of Sales in French language, within which the students of the study specification trade and marketing have the opportunity to study the relevant problem with regard to the development of European and Slovak retail trade.

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The Retail Network in Bratislava from the Point of View of the Consumers¹

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Abstract

The paper deals with the present retail network of the capital city of Slovakia Bratislava, the localization of which influences purchasing, which is part of everyday life of consumers. Collection and processing of the geographical data on the retail network on the basis of new information technologies in the sphere of cartography more precise is made possible by making use of geo-marketing in the sphere of retail trade, which offers new opportunities in its research. The authors used GIS for characterizing assesses the significance of these changes on the sample involving 11,389 respondents interviewed. The goal of the paper includes the characteristics of retail network of Bratislava and its influence on behaviour of consumers. Further the paper includes methodology and results of research organized on the territory of Bratislava. At the end of the paper, there is discussed the importance of obtained research results for praxis.

Key words

attractiveness, accessibility, network, consumer behaviour

JEL Classification: M31, R31

Introduction

Retail trade in many towns or regions is considered to be a branch ensuring its socio-economic development. Besides necessary natural, cultural and historical preconditions together with material-technological basis of retail trade, development of a town or region is also determined by its transport accessibility. Good accessibility of a town contributes to its total attractiveness, which can result in a higher number of visitors. On the contrary, improper level of accessibility of a town many cause low use of the retail trade potential which is often reflected in a low level of turnover and selling space of point of sale.

Space interactions are a result of influence of many factors and show the mutual interdependence and functioning of different facts (Thang & Tan, 2003). In the case of retail trade the interactions are created mainly between the place of living of a customer and the place, which he/she visits most frequently (work, leisure), whilst the interactions are influenced by the very existence of the customer mobility. Perception of accessibility of the point of sale by a customer creates the basic factor of the point of sale attractiveness

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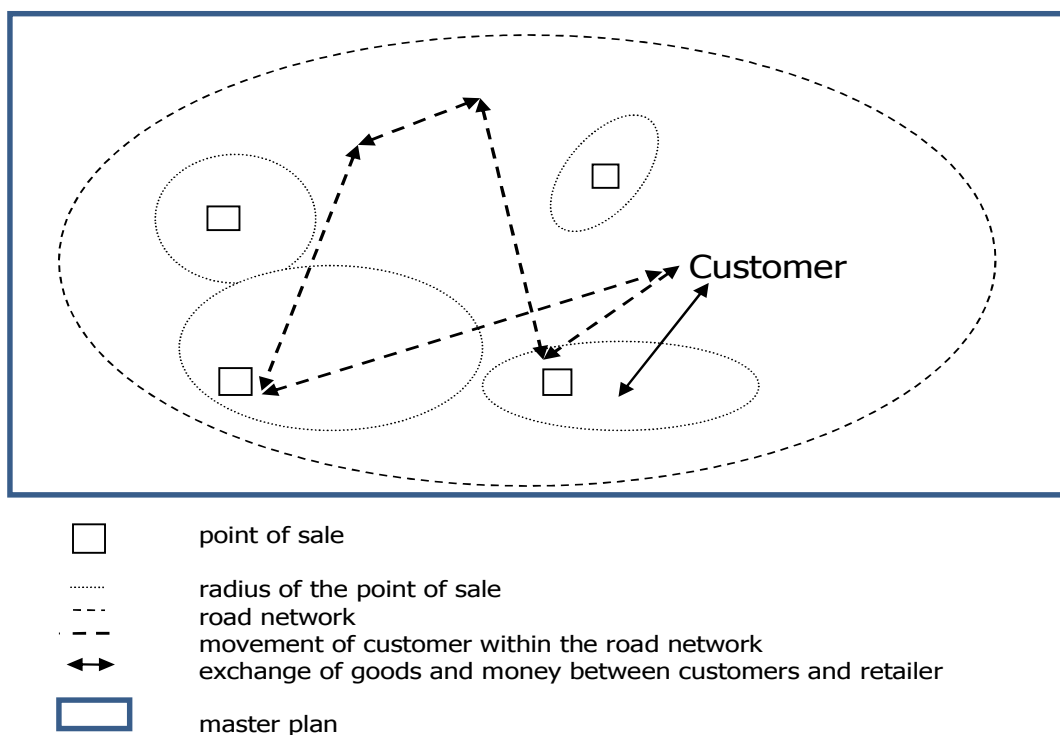
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(Boučková et al., 2007). Differentiation of attractiveness, possibilities and needs of inhabitants as well as reaching individual places of sales leads to the differences in competitiveness of retail points of sale (Krbová, 2013).

Within the analysis of locality as a precondition of deciding the location of the retail point of sale it is important to realize that this decision determines the distance to the customer, who must develop some effort to cover the distance, spend same time and have some costs for the possible transport (Šveda & Križan, 2012). The accessibility of point of sale expresses the possibility of reaching the offer of the point of sale in the so called acceptable time from the customer's point of view (Križan, Tolmáči & Lauko 2008). It is a matter of reaching the distance. Time accessibility is given not only by the distance, but by the way of overcoming the distance and other factors as well. This results in the point of sale attractiveness which is proportional to its accessibility with regard to the level of specialization of the offer. We can say that attractive location of the point of sale is related to three elements: customer, road network and retail network in a given town or village (Krbová, 2013). Their mutual interactions leading to the attractiveness of the point of sale are illustrated in the following figure 1.

Fig. 1 Interaction customer-point of sale- road network

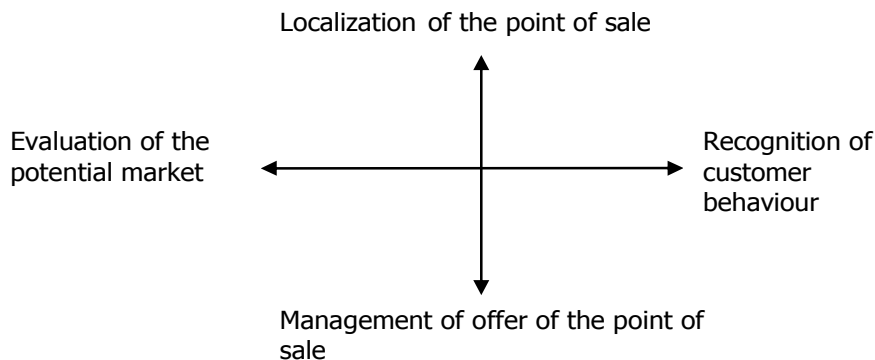


Source: Kita, P. (2013) Accessibility as an essential element of attractiveness of the retail unit. In Business review, 12(29) 46-56.

Customer is attracted by the offer of the point of sale, which thus creates its radius and at the same time expresses the willingness of a customer to visit different points of sale distant from his place of living within the given road network of the town (Więckowski & Michniak, 2012). The figure 1 also shows the space behaviour of customer who decides visiting a point of sale independently and most often according to the offer of the point of sale, possibilities of transfer, level of disposable financial means and his/her motivation.

Therefore when locating a point of sale a distributor must judge its buying behaviour in evaluating the potential of the given sphere of interest (figure 2).

Fig. 2 Starting points of a distributor when localizing the point of sale



Source: Douard, J.-P., Heitz, M. (2004) *Le géomarketing*. Paris: Dunod, p. 62.

1 Methodology

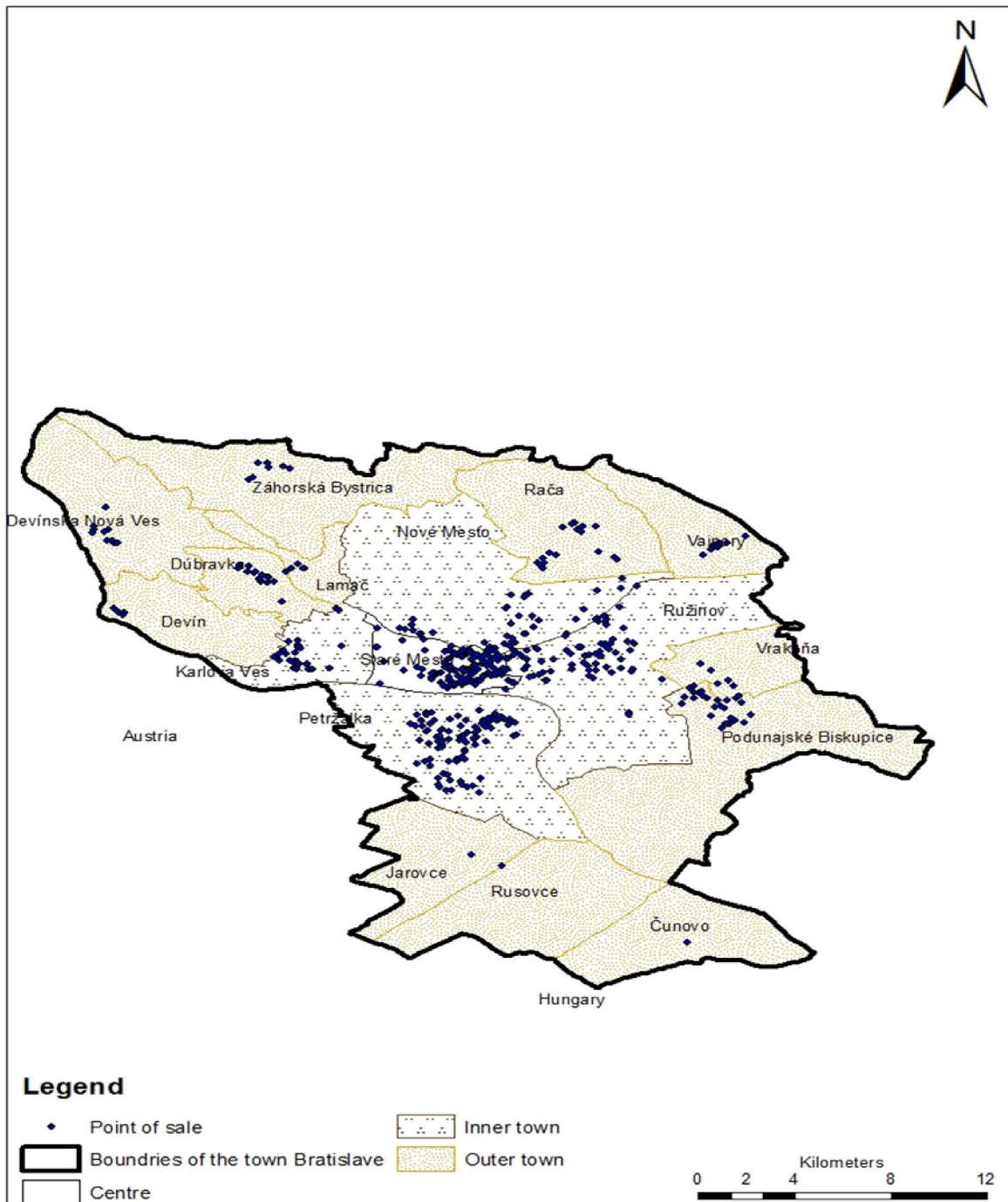
The criteria for localization of the point of sale are related to the space dimension of geomarketing, which connects geography with the database of the data characterizing the purchasing behaviour of customers, which makes it possible to personify the point of sale offer with regard to the localization conditions and in this way create an effective instrument of knowing the customer behaviour and develop an effective marketing of the point of sale (Miklošík & Hvizdová, 2011). The above criteria are evaluated by customers and they can be illustrated by means of multidimensional scaling. The use of multidimensional scaling as an alternative of factor analysis makes the information more simple and transparent for a distributor in recognizing his/her potential customers.

The aim of this method is to find veiled reasonable dimensions, which make the marketing manager able to explain the similarities or differences (distances) found out among the subjects researched. The principle of the method lies in transferring objects in the space, which is limited by an exact number of dimensions and in the research of the impact of a given arrangement on the reproduction of original distances between the objects. The aim of this method is to optimally decrease the number of data and to search the relations of objects in the reduced space. To make the results most clear with regard to the possibilities of optical evaluation of relations, it is effective to be limited by a three-dimensional space. Each coordinate axe has its own meaning resulting from decisive qualities of the objects evaluated according to their position in the space. Although the methods of output may also be numerical, it is mainly a visual technique. The objects are described in a reduced space, which is the so called map of perception, and which is usually a basic navigator in interpreting the relations between the objects. This method has a useful and very frequented application in the marketing research. It is useful in the study of consumer relations, mainly the relations connected with perception and preference of products and services (Douard & Heitz, 2004). It makes it possible to identify the attributes, which are important for consumers and to measure their relative importance.

2 Results and Discussion

The aim of the research carried out in the year 2011 in the territory of the capital of the Slovak Republic Bratislava was to create the space lay-out of the retail network in the territory of the city using the knowledge of geomarketing and creation of database data about the retail network as a part of a geographic information system. Besides this, it also concerns the perception of accessibility of retail points of sale of the retail chains selling foodstuffs to customers.

Fig. 3 Lay-out of retail points of sale in the town Bratislava in the year 2011

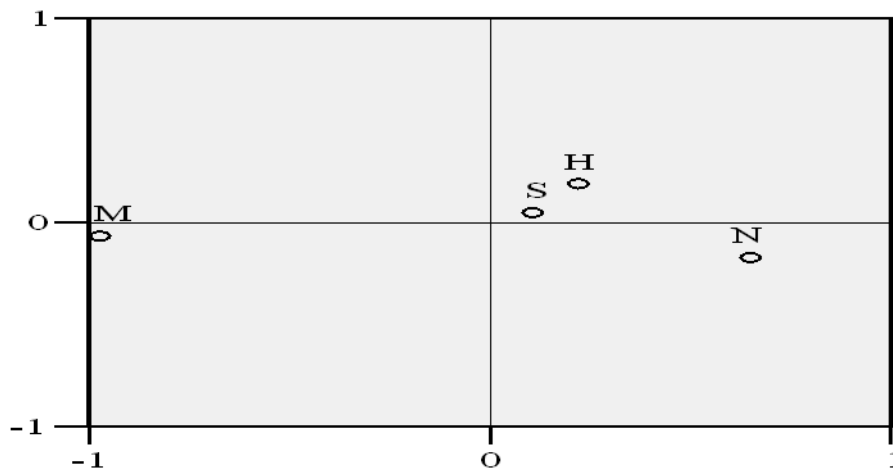


Source: The results of research within the project VEGA No. 1/0039/11 Geographical Information System as a Source of Strategic Innovation of Enterprise from the Point of View of Strengthening its Competitiveness.

To get the answers a standardized questionnaire was used. It was completed by 11.389 respondents shopping in the retail establishments located in individual parts of the town Bratislava. The respondents had to comply with the conditions – to have a permanent or temporary residence in Bratislava and to be at least 18 years old.

The general perception of attractiveness of different forms of points of sale by customers is illustrated in the figure 4.

Fig. 4 The map of perception of attractiveness of the forms of points of sale



Explanations: M: a small point of sale, S: a supermarket, H: a hypermarket, N: none of the given forms of points of sale is preferred.

Source: The results of research within the project VEGA No. 1/0039/11 Geographical Information System as a Source of Strategic Innovation of Enterprise from the Point of View of Strengthening its Competitiveness

The popularity of hypermarkets and supermarkets results from the fact that customers generally reason they prefer a car (an average of 4.87) as a means of transport to the point of sale and spend an average time of almost 14 minutes to get to the place of purchase. The customers, who marked the possibility not to prefer any of the given types of forms of points of sale claim that they do shopping at the time and the place when it suits them best. The table 1 shows more exactly the answers of respondents to the question which way of transport to the food store they prefer.

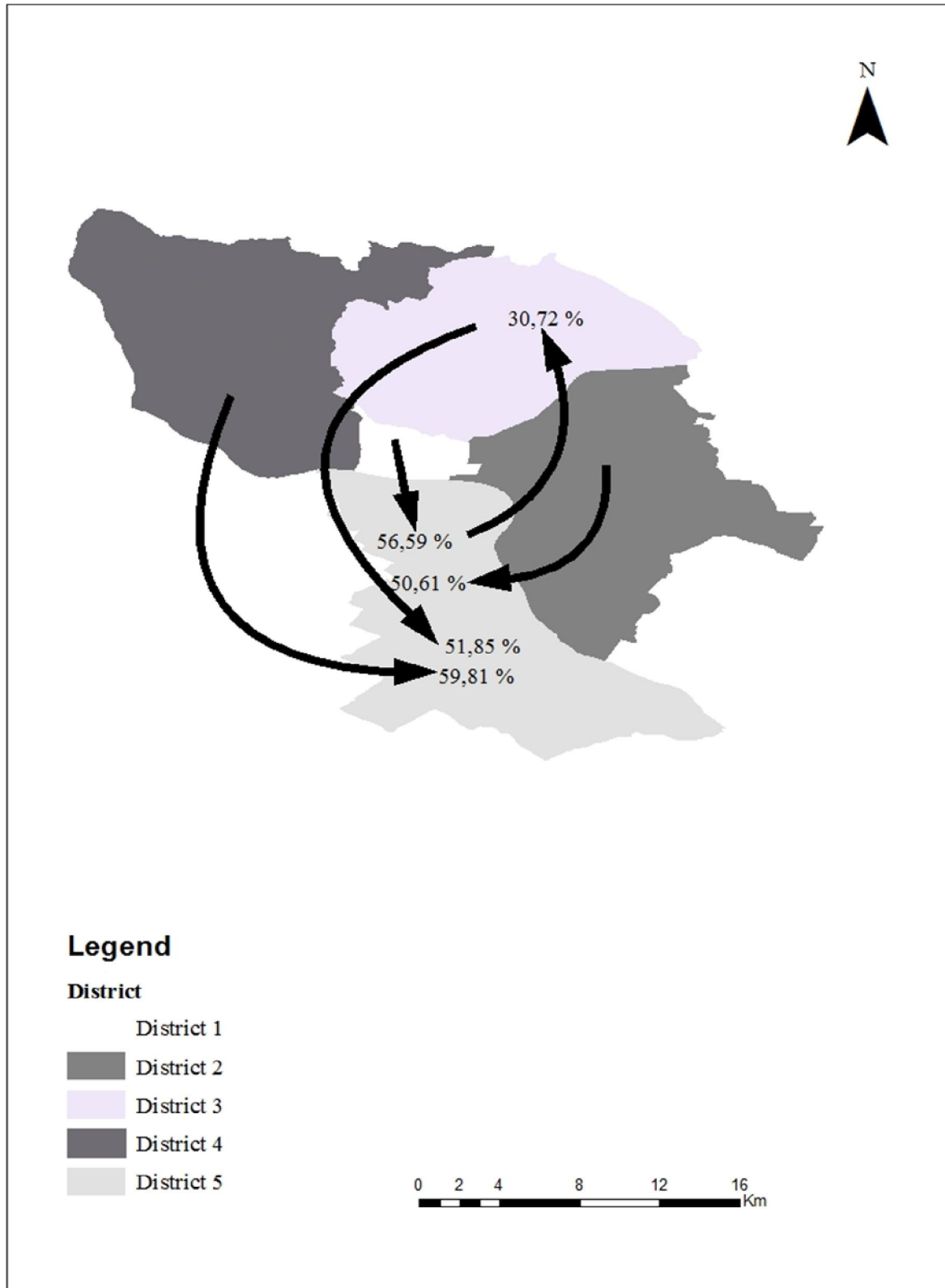
Tab. 1 The way of transport of customer to the food store

The way of transport	Relative share of respondents	Average time
by car	40.82 %	13.50 min.
by public transportation	30.28 %	16.36 min.
on foot + others	28.42 %	13.50 min.
no response	0.47 %	11.83 min.
Total	100 %	

Source: The results of research within the project VEGA No. 1/0039/11 Geographical Information System as a Source of Strategic Innovation of Enterprise from the Point of View of Strengthening its Competitiveness.

The transfer of customers to the popular points of sale which are located in the district of the town Bratislava which is different from the place of residence is shown in figure 5.

Fig. 5 The main purchasing flow of customers between individual districts of the town Bratislava in the year 2011



Source: The results of research within the project VEGA No. 1/0039/11 Geographical Information System as a Source of Strategic Innovation of Enterprise from the Point of View of Strengthening its Competitiveness.

The customers living in the district 1 most often visit the points of sale in the district 5 and subsequently in the district 2, i.e. 11.60 %, and in the district 3 it is 13.44 % of customers. Only 9.58 % of customers do shopping within the district 1. The least visited are the points of sale located in the district 4. Only 7.91 % of customers do shopping out of the town Bratislava. The share of 28.84 % represents the respondents living in this district, who did not inform whether they travel to the points of sale in a different district. We can claim that 61.58 % of respondents living in the district 1 do shopping in a different district. Finally we can claim that 61.58 % of respondents living in the district 1 do shopping in a different district.

The customers living in the district 2 most often visit the points of sale in the district 5. Then they travel to the points of sale located in the district 3, i.e. 16.75 % of customers and in the district 1 it is 15.80 % of customers. 15.65 % of customers do shopping in the district 2. The least visited are the points of sale located in the district 4. The share of 9.39 % represents the customers shopping out of the town Bratislava. The share of respondents living in this district who did not give the information whether they travel or do not travel to the points of sale in a different district is 29.13 %. Finally we can claim that 55.22 % of respondents living in the district 2 do shopping in a different district.

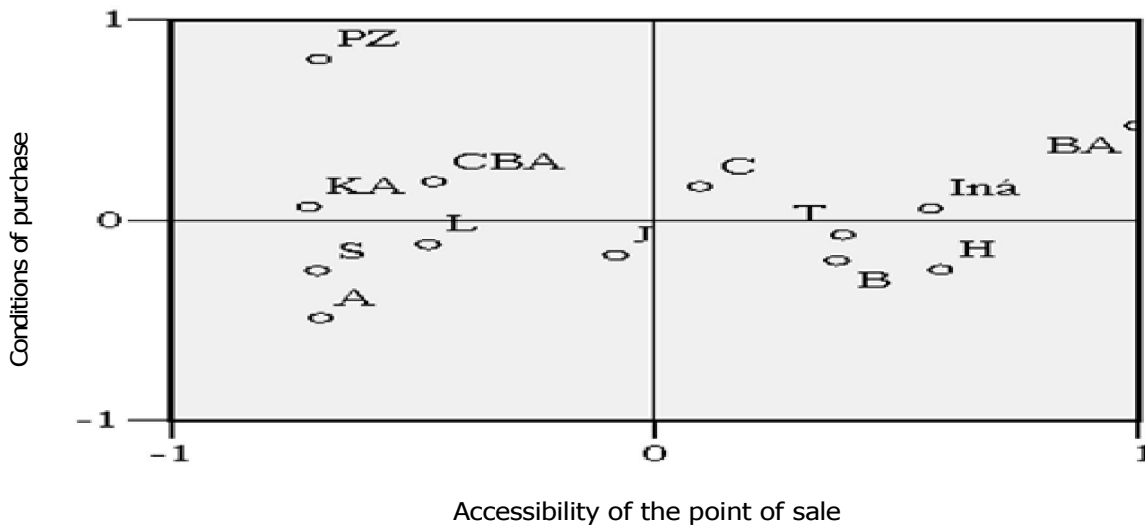
The customers who have residence in the district 3 most often travel to the points of sale in the district 5. Then they visit the points of sale located in the district 1, i.e. 16.75 % and district 2, i.e. 14.49 %. The least visited points of sale are located in the district 4. 18.48 % do shopping within the district 3. As many as 10.71 % of customers do shopping out of the town Bratislava. The share of respondents living in this district, who did not give the information whether they travel or do not travel to the points of sale in a different district is 29.81 %. Finally we can claim that 51.71 % of respondents living in the district 3 do shopping in a different district.

The customers who have residence in the district 4 most often travel to the points of sale located in the district 5. Then they visit the points of sale located in the district 3, i.e. 14.51 % and in the district 1 it is i.e. 11.69 %. The least visited points of sale are in the district 2. 15.6 % do shopping within the district 4. Only 3.65 % of customers does shopping out of the town Bratislava. The share of respondents living in this district who did not give the information if they travel or do not travel to the points of sale in a different district is 24.81 %. Finally we can claim that 51.71 % of respondents living in the district 3 do shopping in a different district.

The customers who have residence in the district 5 most often travel to the points of sale located in the district 3. Then they travel to the points of sale located in the district 1, i.e. 26.76 % and in the district 2, i.e. 24.01 %. As many as 36.81 % of customers do shopping in the district 5. The least visited points of sale are in the district 4, only 6.20 %. 12.31 % of customers do shopping out of the town Bratislava. The share of respondents living in this district who did not give the information if they travel or do not travel to the points of sale in a different district is 30.23 %. Finally we can claim that 32.96 % of respondents living in the district 5 do shopping in a different district.

On this basis we can characterize the attractiveness of the points of sale of individual retail chains selling foodstuffs, the points of sales of which were performing in the year 2011 in different districts of the town (figure 6).

Fig. 6 Attractiveness of the points of sale of retail chains in the year 2011



Explanations: PZ-Prima zdroj, C-Carrefour, BA-balla, B-Billa, A-Albert, L-Lidl, Ka-Kaufland, H-Hypernova, T-Tesco, S-Moja samoška, Other (iná) – the point of sales of other retail chain.

Source: The results of research within the project VEGA No. 1/0039/11 Geographical Information System as a Source of Strategic Innovation of Enterprise from the Point of View of Strengthening its Competitiveness.

The figure 6 shows that the points of sale of the chains Carrefour, Billa, Tesco, Balla a Ahold (Hypernova) are at a good level as for their accessibility which is due to the fact that their points of sale are either in the shopping centers (Carrefour, Billa, Ahold), or isolated (Tesco), with a good parking facility and a suitable access by the municipal public means of transport. The points of sale Albert, Lidl, Jednota COOP, CBA or Kaufland, Moja Samoška, which are most often located within the town quarters in the vicinity of the customers' homes, where there is no problem with the accessibility, can be evaluated from the point of view of purchasing conditions i.e. price, variety of offer, staff, facilities of the point of sale, opening hours and other factors influencing their perception such as the knowledge of the offer of the point of sale or the number of the points of sale of the chain, image and others.

Conclusion

Better knowledge of the space behaviour of a customer enables the distributor to understand the attractiveness of the sales point and plan the future implantation of a new point of sale. The results of the research show, that out of the total number of inhabitants of Bratislava, the inhabitants of the district 4 travel to other districts the most to purchase in their popular point of sale. On the contrary, the inhabitants of the district 5 travel to other districts the least. This explains the differences in the structure of points of sale in these districts which is reflected in the offer of products taking into regard the way and events of everyday life of a consumer of a given district (the place of work, the place of leisure. On the basis of realizing the popularity of the forms of points of sale and the points of sale of individual retail chains we can claim that the accessibility is a strategic element in the market position. The geographical dimension in the analysis of consumer behaviour makes it possible to follow their preference, behaviour, and customs with regard to the distance of different implanted points in our territory according the geographical zones.

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Stability of the Euro Area – Importance for Slovak Businesses and the OMT program¹

Zuzana Kittová² – Zuzana Silná³

Abstract

The stability of the euro area is crucial for Slovak businesses since Slovakia has adopted the euro in 2009. The debt crisis has put at risk the stability of the euro area. The aim of this article is firstly to review the importance of the euro area stability for Slovak businesses (emphasis is given to the business environment as well as to the Slovak foreign trade). Secondly, the aim is to review instruments used to deal with the debt crises in the euro area, particularly to the OMT programme. Authors analyze Business Environment Index and statistic indicators on the Slovak foreign trade. Stability of the EUR exchange rate represents currently one of the most positive factors of business environment in Slovakia. The Slovak foreign trade with other euro area members accounts for almost 37 % of total exports and imports. The OMT program has been challenged by the German Federal Constitutional Court ruling where the belief was expressed that the program be illegal and it should be made invalid or at the least amended. An attempt is made by the authors to predict what impact this ruling will have on the stability of the euro area.

Key words

euro area, stability, business environment, foreign trade, debt crises, OMT

JEL Classification: F15, F18, F34

Introduction

The concept of stability of the euro area is quite complex to define. Several aspects can be identified including price stability, stability of the financial system, currency stability and a stable composition of the euro area. Tuori and Tuori (2014) refer to stability of the euro area as a whole as the “most comprehensive stability concept”. Article 127 (1) of the Treaty on the Functioning of the European Union (TFEU) stipulates that the price stability is the main objective of the European System of Central Banks (ESCB). According to Article 127 (5) the ESCB shall contribute to the smooth conduct of policies pursued by the competent authorities relating to the prudential supervision of credit institutions and the stability of the financial system. Slovakia, with its small and highly open economy, has become the member of the Eurozone in 2009. This has led to an increased dependence of Slovak businesses on economic development in the euro area. Stability of the euro area has become a crucial factor not only for exporting/importing companies but also for all Slovak entrepreneurs. The aim of this article is firstly to review the importance of the euro area stability for Slovak businesses. In this respect the article focuses on the relation between the euro area stability and the quality of Slovak business environment as well as

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on the interdependence of Slovak economy and the euro area member states due to vital trade relations. Secondly, the aim of the article is to review the Outright Monetary Transactions (OMT) programme introduced by the European Central Bank (ECB) in 2013 to overcome the debt crises and its potential to establish the euro area stability.

1 Methodology

The quality of business environment in Slovakia is quarterly monitored by Business Alliance of Slovakia (BAS). BAS is a professional association representing entrepreneurs and employers operating throughout Slovakia. BAS has developed an indicator Business Environment Index (BEI) which is used by businesses to regularly evaluate changes in the quality of business environment. BEI has three main categories:

- influence of main components of the legislative and regulatory framework on business,
- influence of other significant external macroeconomic factors on business,
- influence of the company on quality of business environment.

The first category has 12 items that are evaluated, the second category has 11 items and the third category has 10 items.

Furthermore, BAS carries out various surveys. In 2011 it questioned 130 Slovak enterprises on evaluation of common European currency adoption (Business Alliance of Slovakia, 2011). The results of this monitoring and survey are used as a basis for analyzing the importance of the euro area stability for Slovak businesses.

Slovak foreign trade is analysed and evaluated on the basis of relevant statistical data.

The part concerning the OMT comprises legal analyses focusing however on economic implications of the court's judgment in this case.

2 Results and Discussion

Almost 81 % of enterprises view the common currency adoption positively. The reason behind may be a higher stability, transaction costs savings, lower capital price or more easily cross-boarder trade (Baláž et al., 2010). Only 10 % of enterprises believe that the euro adoption has not been a right decision. The reason may be the unstable situation in the Eurozone or a strong appreciation of the Slovak currency during the pre-accession period that penalized exporting companies.

Entrepreneurs have experienced advantages of common currency also practically. Reduction of transaction and administrative costs has been registered by 57 % of respondents. 40 % of entrepreneurs have experienced the positive impact of euro on reduction of capital acquisition costs and 47 % of respondents stated that the euro introduction has promoted the growth of foreign trade in their companies.

The quality of business environment in Slovakia fell behind according to the Slovak entrepreneurs in the first quarter of 2014. The value of BEI prepared on the basis of BAS survey was 64.6 points. Compared to the previous quarter it declined by 2.6 %. Entrepreneurs criticize mostly law enforcement, subject equality before the law as well as impact of bureaucracy. According to the last survey, the ranking of several items increased, however, this increase was only marginal. The majority of increasing items

belongs to the category of subjective influence of companies on quality of business environment. Among other items, it was the stability and predictability of the EUR exchange rate that has increased the most (see Table 1).

Tab. 1 Quality of business environment in Slovakia

Category	BEI 4Q/2013		BEI 1Q/2014	
	Value	In-crease/de-crease	Value	Increase/decrease
The influence of main components of the legislative and regulatory framework on business	34,8	-4,91%	33,3	-4,23%
Functionality of political system in the country	21,9	-5,68%	20,9	-4,56%
Commercial law / Business legislation	70,6	-2,52%	68,7	-2,63%
Labour Law	38,1	-6,12%	36,8	-3,26%
Legislation on taxes, fees and investment	51,6	-6,54%	49,2	-4,62%
Legislation on payroll taxes	43,9	-5,58%	42,4	-3,35%
Market regulation, legislation on economic competition	50,5	-2,57%	49,4	-2,06%
Bankruptcy and execution legislation	60,8	-2,36%	59,9	-1,42%
Comprehensibility, applicability, stability of legislation	19,6	-6,96%	18,6	-4,97%
Acceptance of subject equality before the law	17,3	-7,80%	15,9	-7,78%
Law enforcement, judicial effectiveness	8,8	-8,97%	8	-9,40%
Functionality of public institutions (register courts, tax offices,...)	79,6	-0,47%	78,6	-1,23%
Regulation of market entry/exit (licensing, certificates, duties)	160,9	0,12%	160,4	-0,35%
The influence of other significant external macroeconomic factors on business	61,8	-2,06%	60,4	-2,33%
State economic policy, access to information	62	-3,29%	60,4	-2,59%
Presence of bureaucracy	16,8	-6,54%	15,6	-6,99%
Corruption in public institutions	18,5	-4,25%	17,5	-5,28%
Presence of unfair competition, crime , lawlessness	41,3	-3,06%	39,6	-3,92%
Efficiency of state economy, access to state aid	15	-6,38%	14,2	-5,82%
Price stability	56,4	0,56%	56,4	-0,03%
Stability and predictability of the EUR exchange rate	117,2	1,47%	118	0,73%
Access to financing (loans, capital markets, etc.)	192,9	0,00%	193	0,06%
Level of infrastructure (transportation, telecommunications, etc.)	144,7	0,30%	144,1	-0,41%
Quality and accessibility of primary inputs, labour force	107,8	-1,05%	106,2	-1,55%
Credibility, financial discipline of business partners	48,8	-3,90%	46,9	-3,96%
The influence of our company on quality of business environment	266,6	0,36%	266,9	0,11%
Accomplishing company vision, plans	252,7	0,12%	253	0,13%
Company performance, productivity, profitability	199,5	-0,26%	197,3	-1,11%
Management system, human resources management	235,4	0,44%	235,8	0,19%
Investment and technological development, quality of production	315,9	0,63%	316,4	0,16%
Liquidity, cash-flow, meeting company's obligations	251,8	-0,09%	250,2	-0,66%
Behaviour (Conduct) towards business partners, solving the problems, conflicts	265,9	0,68%	267,2	0,47%
Employment, remuneration system, social program	205,1	0,12%	204,4	-0,32%

Category	BEI 4Q/2013		BEI 1Q/2014	
	Value	In-crease/de-crease	Value	Increase/decrease
Relation to the environment	396	1,71%	403,1	1,80%
Information openness, appearance in the public, image	462,3	1,00%	471,6	1,99%
Support for local region, charity	278,5	0,47%	279,7	0,44%
Business Environment Index	66,3	-2,72%	64,6	-2,60%

Source: BAS (2014).

Tables 2 and 3 demonstrate results of Slovak foreign trade in 2013 compared to 2012 with regard to its territorial structure. It is apparent that the euro area accounted for 28.46 % in 2013 (compared to 29.6 % in 2012) of total Slovak imports. On the export side the share of the euro area is considerably higher. It represented 44.65 % in 2013 (compared to 45.68 % in 2012). In terms of the total Slovak foreign trade turnover the euro area made up 36.83 % in 2013 (compared to 37.88 % in 2012). Although we can register a slight decrease of the euro area share in Slovak foreign trade on the both import and export sides, in absolute figures the trade turnover increased from 45 729.6 million EUR in 2012 to 45 836.2 million EUR in 2013.

Tab. 2 Slovak foreign trade with the euro area in 2012

	Import (mil. €)	Structure (%)	Export (mil. €)	Structure (%)	Balance (mil. €)
SR TOTAL	58 588,4	100,00	62 144,0	100,00	3 555,7
EU	37 261,4	63,60	51 989,2	83,66	14 727,9
EURO AREA	17 343,0	29,60	28 386,6	45,68	11 043,6
Germany	9 850,7	16,81	13 273,5	21,36	3 422,8
Austria	1 363,0	2,33	4 100,0	6,60	2 737,0
France	1 717,4	2,93	3 352,0	5,39	1 634,6
Italy	1 802,7	3,08	2 880,9	4,64	1 078,2
The Netherlands	622,2	1,06	1 405,2	2,26	783,0
Spain	658,2	1,12	1 066,2	1,72	407,9
Belgium	511,2	0,87	922,0	1,48	410,8
Slovenia	269,9	0,46	465,4	0,75	195,5
Finland	123,3	0,21	176,0	0,28	52,7
Greece	78,4	0,13	151,4	0,24	73,0
Latvia ⁴	19,2	0,03	165,5	0,27	146,3
Portugal	101,8	0,17	138,7	0,22	37,0
Luxembourg	51,1	0,09	73,3	0,12	22,2
Ireland	138,9	0,24	84,9	0,14	-54,0
Cyprus	12,1	0,02	60,2	0,10	48,1

⁴ Latvia entered the Euro zone on January 1, 2014. However, we calculate the share of the euro area in Slovak foreign trade including Latvia to approximate the current situation.

	Import (mil. €)	Structure (%)	Export (mil. €)	Structure (%)	Balance (mil. €)
Estonia	19,8	0,03	51,5	0,08	31,7
Malta	3,1	0,01	20,1	0,03	17,0

Source: Ministry of Economy of the Slovak Republic (2014).

Tab. 3 Slovak foreign trade with the euro area in 2013

	Import (mil. €)	Structure (%)	Export (mil. €)	Structure (%)	Balance (mil. €)
SR TOTAL	60 077,4	100,00	64 361,1	100,00	4 283,7
EU	37 604,4	62,59	53 294,8	82,81	15 690,3
EURO AREA	17 097,5	28,46	28 738,7	44,65	11 641,2
Germany	9 336,7	15,54	13 577,4	21,10	4 240,7
Austria	1 491,8	2,48	3 909,8	6,07	2 418,0
France	1 661,9	2,77	3 249,5	5,05	1 587,6
Italy	1 875,2	3,12	2 908,9	4,52	1 033,8
The Netherlands	654,5	1,09	1 496,8	2,33	842,3
Spain	650,9	1,08	1 190,0	1,85	539,0
Belgium	546,9	0,91	984,8	1,53	437,9
Slovenia	293,8	0,49	485,3	0,75	191,4
Finland	111,6	0,19	161,6	0,25	50,0
Greece	70,4	0,12	147,6	0,23	77,2
Latvia	23,1	0,04	141,9	0,22	118,7
Portugal	113,9	0,19	135,3	0,21	21,4
Luxembourg	52,4	0,09	114,7	0,18	62,3
Ireland	157,2	0,26	86,5	0,13	-70,7
Cyprus	25,2	0,04	76,3	0,12	51,1
Estonia	26,7	0,04	55,7	0,09	29,0
Malta	5,4	0,01	16,6	0,03	11,3

Source: Ministry of Economy of the Slovak Republic (2014).

According to the prediction of the National Bank of Slovakia (NBS, 2006) the Slovak foreign trade with Eurozone countries was expected to increase by 50 % in medium term. The business sector had to be the one taking the most advantage of this development. This prediction has been in line with models emphasizing that exchange rate risk reduces trade. Exchange rate risk acts as a "tax" on the comparative advantage of the exporting sector relative to the domestic sector. Importers have also a preference for invoicing in local currency to minimize their exposure to currency changes (Goldberg & Tille, 2009). In 2013, five years after adoption of euro, Slovakia imported and exported goods for 121 billion EUR that is by 20 % more than in a year before adopting euro. The foreign trade with the Eurozone has however increased only by 8 %. Slovakia recorded higher increase of foreign trade with some countries outside the Eurozone or outside the EU, for example Ukraine, Switzerland and Canada. The evidence shows the expectations to be too optimistic. Furthermore, it was expected that the euro would attract more foreign direct investments (FDI) to Slovakia. In fact, the FDI inflow slowed down from 12.4 billion EUR

in 2005 - 2008 to 2.2 billion EUR in 2009 - 2012. Compared to the neighbouring countries outside the Eurozone it was the weakest result. This does not necessarily mean that euro have had negative impact on FDI inflow to Slovakia. More likely it seems that the relationship between FDI inflow and the Eurozone membership is not as strong as predicted. The quality of business environment is much more important for FDI than adoption of common currency. Among the V4 countries Slovakia is the only one that adopted euro. This may be disadvantageous for mutual trade relations (for more details on this trade see Table 4). For example depreciation of CZK at the end of 2013 resulted in price increase of Slovak products and services exported to Czech Republic.

Currently the US dollar and the euro dominate in the invoicing of international trade. US dollar and euro use is boosted by the strength of regional links and the existence of large domestic markets for currency issuers (Auboin, 2012). In the case of the euro, invoicing in euro tend to "gain market shares" in areas that have a high proportion of goods and services trade with the euro-zone. Not only recently acceded Members of the European Union but also other Eastern European countries have increased their use of the euro in trade and financial transactions. However, a strong potential exists in China. RMB use is small relative to the share of China trade in global trade (according to Swift statistics, 0.2% of world's payments, against a global trade share of over 10%). A competition with the US dollar and the euro is not yet in reach, albeit much will depend how quickly and effectively the banking industries of developed countries, on the one hand, and China, on the other, will restructure after the financial and debt crisis.

Tab. 4 Slovak foreign with selected countries outside the euro area in 2013

	Turnover	Import (mil. €)	Structure (%)	Export (mil. €)	Structure (%)	Index 2013/2012	
						Import	Export
SR TOTAL	124 438,6	60 077,4	100,00	64 361,1	100,00	102,5	103,6
Czech republic	14 977,4	6 225,4	10,36	8 752,1	13,60	108,8	100,5
Poland	8 140,6	2 827,5	4,71	5 313,2	8,26	130,2	106,2
Hungary	6 653,6	2 633,7	4,38	4 019,9	6,25	122,2	92,6
Russia	8 694,9	6 147,7	10,23	2 547,2	3,96	103,6	97,2
China	5 925,3	4 328,7	7,21	1 596,6	2,48	117,9	118,4
Switzerland	1 434,5	396,7	0,66	1 037,8	1,61	129,1	124,2
Ukraine	1 108,0	628,7	1,05	479,3	0,74	106	108,4
Canada	246,4	95,7	0,16	150,7	0,23	182,0	108,9

Source: Ministry of Economy of the Slovak Republic (2014).

Debt crises related to Greek problems in 2009 (the GDP decreased by 2.5 %, public debt increased by 13.3 %, Fifek, 2013) has put at risk the stability of the euro area. This period is characterised by loss of confidence in world currencies (Pavelka & Turan, 2014). Several instruments have been used to tackle the debt crises in the euro area such as:

- bilateral loans from the euro area member states and the International Monetary Fund (IMF) to Greece totally amounting to 110 billion EUR agreed in May 2010;
- European Financial Stability Facility (EFSF) approved by ministers of finance of the euro area in May 2010. EFSF is a company incorporated in Luxembourg in June

2010. The EFSF's objective is to preserve financial stability of the monetary union by providing temporary financial assistance to euro area member states if needed (EFSF, 2013);

- European Stability Mechanism (ESM) agreed by finance ministers of the euro area countries in July 2011. The ESM is the permanent crisis resolution mechanism for the countries of the euro area. Its purpose is to provide stability support through a number of financial assistance instruments to ESM member states which are experiencing, or are threatened by severe financing problems (ESM, 2014).

However, the most effective tool in easing the crises has been OMT programme. In July 2012 Mario Draghi, president of the ECB, proclaimed that: "within our mandate, the ECB is ready to do whatever it takes to preserve the euro" (Draghi, 2012). This was followed by the Decision on technical features of the OMT (Decision) taken by Governing Council of the ECB in September 2012. OMT is a programme allowing the ECB to purchase sovereign bonds of specific euro area member states on secondary markets. A necessary condition for OMT is strict and effective conditionality attached to an appropriate EFSF/ESM programme. The involvement of the IMF will also be sought for the design of the country-specific conditionality and the monitoring of such a programme. The Governing Council will terminate OMT once their objectives are achieved or when there is non-compliance with the macroeconomic adjustment or precautionary programme. Transactions will be focused particularly on sovereign bonds with a maturity of between one and three years. The ECB's holdings will not have seniority over private creditors. No targets for the yields are set (ECB, 2012). OMT announcement was associated with a positive economic effect. The bond market has become less volatile, spreads of government bonds have declined (Altavilla, 2014). It averted collapse of the euro area and excluded the currency risk for creditors.

Notwithstanding the economic success of the OMT announcement, a number of private citizens and a Parliamentary group DIE LINKE in the German Bundestag brought legal actions before the German Federal Constitutional Court (FCC). In their constitutional complaints, the claimants challenged the measures adopted during the debt crisis such as the legality of the European Stability Mechanism Treaty, the Fiscal Treaty and in particular the OMT Decision, on various grounds (Gerner-Beuerle et al., 2014). The FCC has split up the case and it issued the final ruling on the two treaties in March 2014. On 7 February 2014 in the OMT case, the FCC has suspended the trial and referred the matter to the Court of Justice of the European Union (CJEU) for a preliminary ruling (BVerfG, 2014). The issue at stake is whether or not the OMT program is compatible with the EU law. Although the FCC refers questions to the CJEU, it already makes it clear in its ruling that it considers the OMT Decision:

- to exceed the ECB's mandate (Articles 119, 127 TFEU) and
- to be in violation of the prohibition on monetary financing of national budgets (Article 123 TFEU),

Unless the Decision is interpreted in narrow terms that are spelled out in the ruling.

The ECB only has a monetary mandate. On the other hand, economic policy lies in the competence of the member states. Whether the OMT is within the competence of the ECB depends upon whether one can still classify this as monetary policy, or whether the ECB is pursuing economic policy.

Furthermore, according to the FCC the ECB violates Article 123 TFEU that prohibits the "direct" purchase of government bonds by the ECB. However, this prohibition may not be circumvented through purchases on the secondary market.

In paragraph 100 of its ruling the FCC illustrates how the OMT Program might be held consistent with the EU law (i.e. interpretation in conformity with EU law). It should be "interpreted or limited in its validity in such a way that it would not undermine the conditionality of the assistance programmes of the EFSF and the ESM, and would only be of a supportive nature with regard to the economic policies in the Union. This requires, that the possibility of a debt cut must be excluded, that government bonds of selected Member States are not purchased up to unlimited amounts, and that interferences with price formation on the market are to be avoided where possible" (BVerfG, 2014).

The judgment of the CJEU is expected in 2014 or in 2015. There are several hypothetical scenarios of its ruling and potential impacts on the OMT programme implementation:

- The CJEU sends back the reference as inadmissible arguing that the OMT have not been initialized yet thus the question is hypothetical. Such a reaction is however unlikely. When the reference is from a prominent court that in the past has been reluctant to make reference, the CJEU is likely to be even more disposed to engage the reference constructively (Kumm, 2014).
- The CJEU declares that the OMT program is in conformity with the EU law. It could be pessimistically expected that the FCC will not allow the German Bundesbank to participate in the execution of the OMT program and that the Federal Government will be obliged to conduct negotiations with other EU member states about a more precise and limiting specification of the ECB mandate (Murswiek, 2014).
- The CJEU follows the interpretation of FCC, which would make the OMT practically ineffective. This scenario is not very likely as the CJEU has historically seen itself as the motor of integration and allowed EU institutions to expand their domain of action (Kumm, 2014).
- The most likely scenario is that the CJEU accepts the general formula suggested by the FCC that the OMT should be interpreted or limited in its validity in such a way that it would not undermine the conditionality of the assistance programmes of the EFSF and the ESM and would only be of a supportive nature with regard to the economic policies in the Union. However, the CJEU refuses to provide any further specific restrictions on the OMT. If this is a case, FCC would probably reject the constitutional complaints as unsubstantiated (Murswiek, 2014). From the legal point of view, this outcome is different from the above mentioned scenarios. Practically, however, the CJEU ruling would allow the implementation of the OMT Decision.

The OMT program is a two-edge weapon, that on the one hand alleviates tension on the markets, on the other hand may lead to (hyper) inflation with serious consequences for Slovak economy (Šikulová, 2012).

Some authors believe that besides the measures of monetary policy there is also a need to set up an institutional framework for implementing measures stabilizing the fiscal policy of the member states. Creation of a fiscal union would be a step in right direction and the fulfilment of political commitments would be essential for saving the single currency union (Sipko, 2014; Bordo, 2010). Others, aware of the strong resistance that would arise to any threatened infringement on the sovereignty of member states, propose a more limited move towards a fiscal union (Munchau, 2010) or suggest an alternative

approach, which focuses on financial sector reform, decentralised responsibility for government debt and sovereign debt restructurings in the case of crises (Fuest and Peichl, 2012). Among other solutions to the debt crisis the implementing of structural reforms, completing banking union or exclusion of problematic states from the Eurozone could be mentioned. This debate goes however behind the scope of this article.

Conclusion

Adoption of the euro had positive impact on Slovak business environment. There are several reasons behind such as higher currency stability, transaction costs savings, lower capital price or more easily cross-boarder trade. Although the quality of Slovak business environment decreases continuously, Slovak entrepreneurs evaluate the currency and price stability positively. The adoption of euro had positive effects particularly for companies trading within the Eurozone (37 % of total Slovak exports and imports accrued to Eurozone in 2013) or using euro in payments. On the contrary, Slovak companies trading with countries outside the Eurozone could have registered negative impact in case of euro appreciation. Among negatives of adopting euro in Slovakia we can mention also costs related to participation in Eurozone financial stability mechanisms and the uncertainty regarding the future institutional framework of the Eurozone. Although positive impacts of euro adoption prevail over negative impacts the optimistic expectations of significantly positive effects on Slovak foreign trade, FDI inflow or economic growth have not been met yet.

The key factor in restoring the functioning of the monetary union and maintaining the price stability in the euro area has been the OMT programme. However, the FCC ruling on OMT produces a new uncertainty into the very fragile economic recovery in the euro area. Even though the situation within the euro area currently does not seem dramatic, it is hard to predict what impact this kind of uncertainty will have on the stability of the monetary union. Stabilisation of markets due to the measures adopted by the ECB has been temporary by now and the time saved has not been used to improve public finance of highly indebted Eurozone countries. What the Eurozone need is a prompt elimination of real debt crises sources. Implementing structural reforms could be the most efficient solution.

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Investigating Innovation Processes in Firms Leading to Radical Product Innovations in Slovakia¹

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Abstract

Author in the paper examines the ways innovation activities are managed to reach new products with high level of novelty in Slovakia. Based on systematic theoretical analysis the paper discusses approaches to innovation and innovation processes to support new product introductions. After surveying 287 firms in Slovakia author investigates functional relationship between new product introductions and organizational learning, innovation processes, innovation strategies and incorporation of internal and external knowledge in the process of creating new products. The findings demonstrate that significant differences exist between radical innovators and incremental innovators in use of innovation processes, specific external knowledge sources, property rights protection, and support for radical innovation.

Key words

product innovation, process, knowledge management

JEL Classification: O30, M10

Introduction

Innovation is about expanding creative thinking, stretching the imagination, challenging traditional ways of seeing, understanding, and doing things as well as pushing the limits of technology. Development and launch of successful new products is one of the most challenging tasks of management. Present highly turbulent environment requires new methods and techniques to bring successful new products to the marketplace. To survive and prosper, the organization needs to embed the processes and mechanisms that enable the company to discover major trends that shape the future and respond to them through new growth areas and new products in a consistent manner.

Generally accepted theories that see innovation as a scientific research, followed by protection of intellectual property by patents and competitive struggle to achieve dominance are now complemented by a holistic view of innovation, according to which the innovation activities also incorporate suppliers, competitors, producers of substitute products and services. Value creation in the conventional innovation model is strongly linked to the protection of intellectual property rights, while in the competitive environment of *system products*, patents are mainly used for licensing agreements between the companies and market success depends on being able to implement dominant product architecture on the market and gain reputation (Miller & Olleros, 2008). The importance of *open innovation* is constantly growing, and the management of research and development in open innovations takes place in the context of complex

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ecosystems and clusters of complementary organizations and the predominant mode of work is becoming inter-organizational cooperation.

In this paper we focus our research on conditions that influence new product introductions with high level of novelty. We believe that the results of this paper will bring insights both to the researchers of innovation processes and practitioners who design innovation initiatives.

1 Methodology

The aim of the paper is *to specify the company behaviour that leads to innovative outputs with high level of novelty in country specific context of Slovakia*. We conducted survey on innovation activities to identify structural relationships among innovation processes, strategies, external and internal innovation sources and innovation outputs within companies in Slovakia. The research design is based on primary survey data. The structured questionnaire was based on the OECD recommendations for conducting innovation surveys (Oslo manual, 2005) and theoretical sources mainly (Tidd et al., 2007). The research involved 287 companies, of which 45.3 % were small enterprises with number of employees 1 to 49, 27.18 % were medium-sized enterprises with number of employees from 50 to 249 and 27.53 % of the total sample consisted of large enterprises with more than 250 employees. Of all enterprises 63.07 % were owned by Slovak capital, 24.74 % by foreign capital and in 12.2 % of cases the ownership was mixed. We analyzed new product introductions on the market in the period of five years from 2009 to 2013.

Collected data were processed by the statistical program Statgraphics. Main characteristics were obtained arranging the collected data into frequency tables. To test the hypotheses that we posed in terms of research set, we used data analysis by cross-tables, by which we examined the relationships between variables. We verified the statistical relevance by the test of fit - chi-square test - applied to the cross tables. Since the p-value is greater than or equal to 0.05, we cannot reject the hypothesis that rows and columns are independent at the 95.0 % confidence level. We interpreted statistics by graphs and tables with explanation.

For the purpose of this study based on profound literature review we introduced following hypotheses:

H1: New product introduction with high level of novelty is positively influenced by foreign ownership.

H2: New product introduction with high level of novelty is positively influenced by (a) internal openness of the company, that is internal collaboration and knowledge sharing by means of internal innovation network and (b) external openness of the company that is external collaboration by means of external innovation network.

H3: New product introduction with high level of novelty is positively influenced by (a) using formalized innovation processes, (b) highly developed and efficient systems for new product development including technology and market trends evaluation, (c) alternative and parallel process for radical innovation that is not in line with common procedures.

2 Results and Discussion

Until the end of last century, organizations generally followed a closed innovation paradigm for their R&D activities, according to which innovation was both internally generated and exploited. Emergence of new factors as the increasing availability and mobility of skilled employees, creation of venture capital markets, the novel opportunities to externally exploit unused ideas, the emergence of new technologies that allow collaboration of distant geographic areas and the presence of capable suppliers started to erode the benefits of closed innovation paradigm. This trend is reflected into the rise of open innovation paradigm, whose main logic is that valuable ideas can come from inside or outside the company as well (Garavelli et al., 2013). In this section we present main findings on innovation management from literature review that influenced hypotheses formation and results of the survey.

2.1 Theoretical Background

In economic literature there are numerous studies on the variables that have a significant impact on competitiveness, innovation and value for their company and the customer (Audretsch, 1995; Christensen & Raynor, 2003; Hollanders & Van Cruysen, 2008). In the field of external relations, the importance of a strong interaction with markets and suppliers, effective mechanisms for implementation of innovation, especially in conditions of uncertainty and supportive organizational environment has been identified as fundamental for successful innovation. Critical role in the success of innovation strategies of firms plays the organization's ability to learn from experience and analysis. Scientific research points to three key elements of corporate innovation strategies (Tidd et al., 2007):

1. *Company's position* compared with the position of competitors in products, processes, technologies, in terms of the national innovation system, in which the company operates.
2. *Technological ways* that open to the company in respect of accumulated knowledge, skills and emerging opportunities.
3. *Organizational processes* that companies use to integrate strategic knowledge between its functional departments and product divisions.

On the basis of a systematic theoretical analysis Smith, Busi, Ball and Meer, specified nine organizational factors identified and relationships between them have been discussed that affect companies' ability to manage innovation, regardless of their geographic presence: (1) *Technology* that is often considered as innovation output was considered as an influencing factor of innovation. (2) *Innovation process* which affects the development of new initiatives, the selection and evaluation mechanisms and implementation of innovation. (3) *Corporate strategy* which includes aspects of the overall company strategy and innovation strategy, defining the mission and business objectives and strategic decision making. (4) *Organizational structure* represents the configuration of the organization and affects the ability to manage innovation. (5) *Organizational culture* affects the values recognized in the organization and affects cooperation, communication and relationship with risk taking. (6) *Employees* as a factor associated with personal characteristics affecting incentives for innovation. (7) *Resources*, human, financial, and material, influence the innovative capacity of the organization. (8) *Knowledge*

management, which includes aspects of using internal and external knowledge in innovation management and takes into account the organization's ability to learn. (9) *Management style and leadership* as a factor that is related to personal characteristics of management, management style and way of motivating employees to innovate (Smith et al., 2008).

Innovative projects with high levels of risk require different ways of managing from incremental product innovations and require the creation of a separate space (Benner & Tushman, 2003; Crosnan et al., 1999; Hamel, 2002; Christensen & Raynor, 2003; Pandey & Sharma, 2009). Innovative companies are not only those who produce innovative products, but also those who know how to modify the formal product development process in order to come to an acceleration of change (Ettlie & Eisenbach, 2007).

In the conditions of knowledge economy open innovation approach is being adopted by increasing number of companies. The literature on open innovation observes that many firms have opened up their boundaries and strive for variety of open innovation activities to improve their innovation processes through exchange with the external environment (Dabrowska et al., 2013). The research has found that open innovation increases product development, innovative performance, and chances for market success (Chesbrough et al., 2006; Laursen & Salter, 2006; Leiponen & Helfat, 2010). There are several concepts and classification of open innovation and extensive review of positive and negative sides. Open innovation is defined by Lichtenthaler (2011) as systematically performing knowledge exploration, retention, and exploitation inside and outside an organization's boundaries throughout the innovation process. In our survey we explore open innovation relation to new product introductions with high level of novelty.

2.2 Innovation Management Survey in Slovakia

We conducted Innovation management survey in Slovakia to clarify the current state of innovation processes and determine the approaches that lead to new product introductions with high level of novelty. We explored the company behavior in the period of five years from 2009 till 2013. The results show that 15 % of all companies introduced product new to the world, 35 % product new to the market and 48 % product new to the firm. New to the world products were introduced mostly by foreign companies followed by companies with mixed foreign and Slovak ownership. Company size had no relation to new products introductions. New to the market products were mostly populated in companies with mixed foreign and Slovak ownership. New to the market products were introduced by 46 % companies with mixed ownership, by 34 % Slovak companies and by 32 % of companies with foreign ownership. We can assume that mixed ownership provided market knowledge from local workforce and new technology competence from foreign entity as the innovative solution was not new to the world but it was new to the market. New to the world products were introduced by 17 % of all producers and by 36 % of all information and communication technology (ICT) firms.

We examined deployment of *innovation processes* as specified in Table 1. Innovative processes which the company introduced at the formal level with the possibility of improvement (3rd level), or as a highly developed and effective systems of new products creation with the ability to assess new developments in technology or the market and finding room for development and growth (4th level) directly affect the innovation outcomes (Tidd et al., 2007). This factor includes the effects of using technology in

innovation activities, which is mentioned in some studies as a separate factor (Smith et al., 2008).

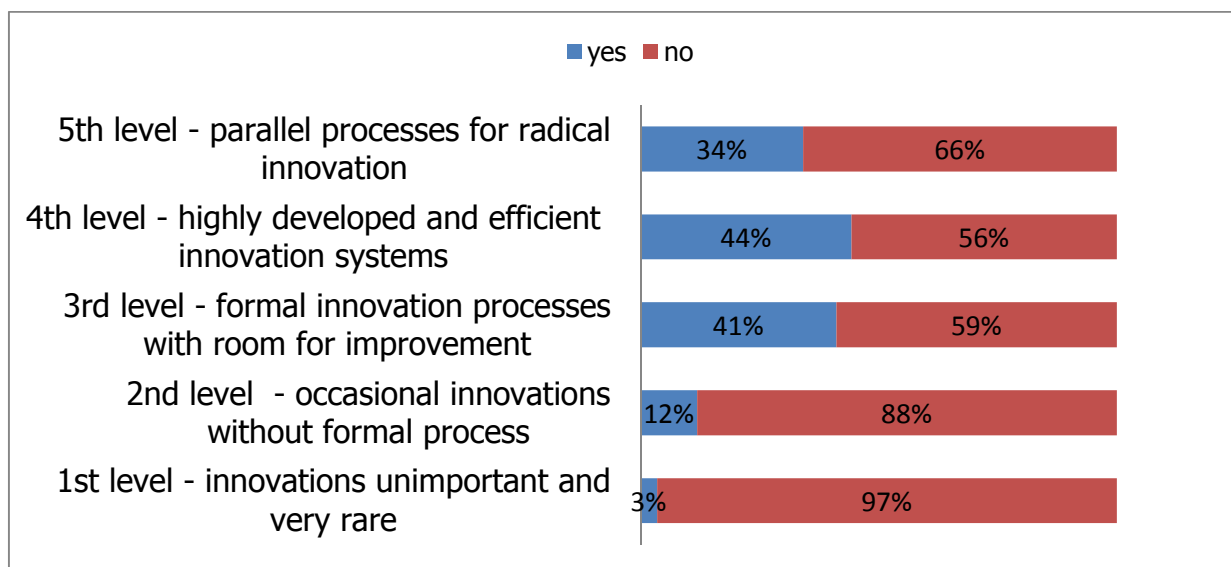
Tab. 1 Innovation processes

Innovation process	Characteristics
1 st level	Company does not put any importance to innovations, it does not innovate or innovates very rarely
2 nd level	Company innovates occasionally without formal process
3 rd level	Company understands importance of innovation, formal innovation processes are implemented, but there is room for improvement
4 th level	Company implemented highly developed and efficient systems for new product development including technology and market trends evaluation
5 th level	Company implemented alternative and parallel process for radical innovation that is not in line with common procedures

Source: Tidd et al., 2007 p. 518.

Situation in using system approach to innovation is presented in graph 1. From the results it is evident that just 3 % of all respondents agree with the statement that their company applies 1st level innovation approach – it does not put any importance to innovation, does not innovate or innovates very rarely. 12 % of respondents say their company applies 2nd level approach – it makes innovations occasionally without formal process. Processes on 1st and 2nd level are negatively correlated with new to the world product introductions ($p=0.0034$ and $p=0.0171$ respectively).

Graph 1 Innovation processes used by companies in Slovakia



Source: own research

No companies which introduced new to the world products used 1st or 2nd level innovation processes. 41 % of respondents agree with the statement that their company applies 3rd level innovation approach – they have formally implemented innovation process with room for improvement. Embedding 3rd level innovation approach does not separate radical innovators from incremental innovators. In our research we found out that innovation processes on 3rd level were not related to new to the world innovations ($p=0.1361$).

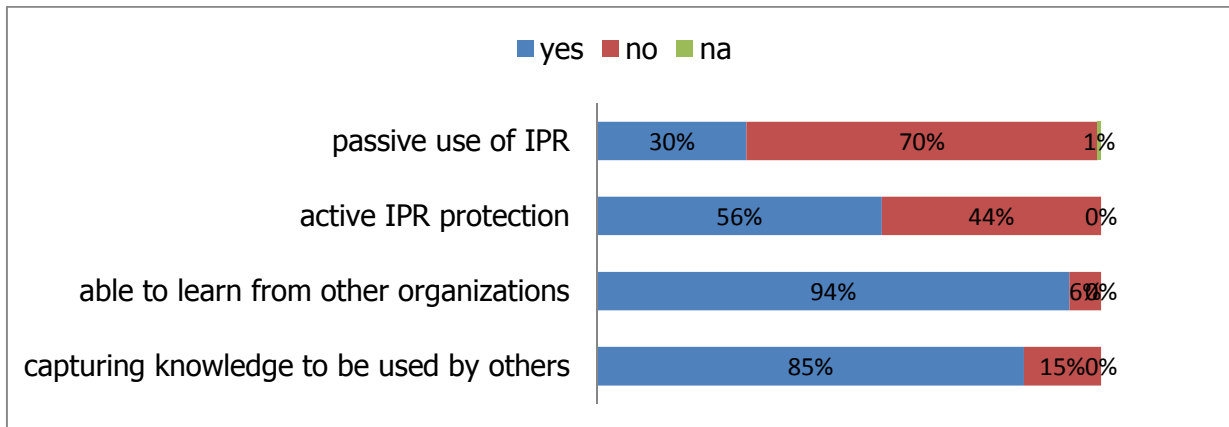
Companies which implement 4th level and 5th level innovation processes introduce new to the world products more often than others. 44 % of all respondents agree with the statement that their company applies 4th level innovation approach – they use highly developed and efficient systems for new products development, including assessment of new technology and market trends and ability to identify areas for improvement and future growth. Companies introducing new to the world innovations used 4th level processes more often than other companies ($p=0.0288$). 34 % of all respondents agree with the statement that their company applies 5th level innovation approach – they use alternative and parallel mechanisms in the development and implementation of radically new projects that go beyond the normal rules and processes support radical new to the world innovations abroad as well in Slovakia. They were applied in one third of companies introducing new to the world products ($p=0.0000$).

We found out that 74 % of companies use internal ICT for innovation, and 48 % of companies cooperate with other institutions by means of ICT innovation networks. 69 % of respondents apply different innovation processes for radical innovations than for incremental.

Factors that differentiate radical innovators that introduce new to the world products from others in area of radical innovation support are in our research quite numerous. Using internal ICT network for innovation seems to be differentiating factor for supporting organization used in companies introducing new to the world products. It is related to firms introducing new to the world products ($p=0.0042$). It seems that internal openness for innovation influences the company competence to introduce new to the world products. Other factors are more frequent use of specific innovation processes for radical innovation that are different from incremental innovation processes ($p=0.0000$). Cooperation on innovations with other institutions by means of external ICT networks is related to new to the world products ($p=0.0000$). Spin-off or selling those projects that do not fit strategic orientation of the firm is also differentiating factor in companies introducing new to the world products ($p=0.0010$). It seems that external openness to innovation influences new product introduction on highest level of novelty.

56 % of respondents use active protection of their intellectual property rights by patent, design or trade mark. Only 30 % of respondents acquired the licence to use intellectual property right of other entities to be used in their product innovations. Knowledge management factors important for innovation in the company are shown in graph 2.

Graph 2 Knowledge management



Source: own research

Learning from other organizations is widely used approach in innovation. It is evident in 94 % of all organizations. Knowledge to be used by other employees in the company is captured by 85 % of all organizations. IPR protection and passive use is much less frequent.

Active and passive IPR protection is differentiating factor between innovators introducing new to the world products and the others with $p=0.0007$ and $p=0.0393$ respectively. Industrial property influences the innovativeness of Slovak Republic as seen from our results.

One of the main weaknesses of the innovativeness of Slovak Republic is low patenting. It is known that the main cause of this situation is the lack of financial support from the state. Problem requires a detailed analysis and implementation of the various forms of financial support for SMEs in the protection of industrial property rights (e.g. tax incentives, reduction of costs applying for patents) (Jarossová, 2013).

Conclusion

Based on conducted analysis, new product introduction with high level of novelty shows positive and significant relationship with foreign ownership on the level of new to the world products ($p=0.0000$), new to the market products ($p=0.0109$) and new to the firm products ($p=0.0056$), thus fully supporting hypothesis H1. From the results of the survey, it is evident that the practices and know-how of foreign companies active in Slovakia positively influence new products introductions with high level of novelty.

Our findings indicate that open innovation holds great potential for improving companies' innovation processes to introduce products with highest level of novelty. The relationship between new to the world products was found to be significant with open innovation as (a) internal openness of the company, that is internal collaboration and knowledge sharing by means of internal innovation network ($p=0.0042$) and (b) external openness of the company that is external collaboration by means of external innovation network ($p=0.0000$), thus supporting hypothesis H2.

Not all innovation processes starting form formalized level with room for improvement were found to be positively and significantly related with new products introduction with high level of novelty. Only (b) highly developed and efficient systems for new product

development including technology and market trends evaluation ($p=0.0288$), and (c) alternative and parallel process for radical innovation that is not in line with common procedures ($p=0.0000$) had significant positive relationship with new to the world products, thus hypothesis H3 was partly supported with support for H3 (b) and H3(c). No support was found for H3 (a).

The results of the study presented in this paper bring two main conclusions. First, there are five key factors that influence successful innovation strategies, and drive the ability of the firm to create new products with high level of novelty: highly developed innovation processes and parallel mechanisms for radical innovation, IPR protection and passive use of IPR, internal and external open innovation network, drawing corporate strategic orientation of the company and ability to use projects that do not fit strategic orientation in spin-offs, licensing or selling.

Second, introduction of specific innovation process to grasp radical innovation opportunities, parallel to obvious company focus on efficiency is key promoter for organization ability to manage complex innovation processes and create innovation as core competence across the organization.

This paper makes contribution to the understanding of underlying processes of innovation management, and their significance. It should attract managerial attention in recognizing the importance of innovation management factors for building firm's innovation competency.

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Does what You Believe Affect what and how you Buy? A Study of Consumer Behavior Background Among Consumers in Slovakia¹

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Abstract

As the religion is the basic element of the culture it necessarily has an impact on consumer behavior. The literature shows that religion and spirituality influence consumer attitudes and behavior. This paper researches effects of religion and religious background (Christianity) on a day-to-day consumer behavior among consumers in a CEE country Slovakia. The study is based on results of interviewing more than 500 participants. The results show, that, although Slovakia is considered a Catholic country (with more than 62% of Catholics according to Census in 2011) the consumer behavior is less and less under the influence of the religion. The strongest projection of religion into consumer behavior is found among senior citizens. The younger the consumer, the less noticeable difference the religion makes. The results show that majority of consumers do not see their consumption anyhow influenced by their religious beliefs. The Christian beliefs and values are more noticeable in their attitudes towards food purchase (mainly during lent) but do not seem to influence the attitude towards Sunday shopping. The results may be found useful for enlarging the theory of consumer behavior trends and perspectives as well as for the practical implications in marketing management.

Key words

behavior, attitudes, cultural impact, religion

JEL Classification: M31

Introduction

Cultural background as one of external influences forming consumer behavior is constantly for years one of major issues among theoretical as well as practical marketing research. Differences in purchases of the same products that occur across the globe are very often caused not only by different needs but more often by different ways of satisfying the same needs. Different understanding of the same symbols, beliefs, "truths" causes that a very successful concept in one country is found not interesting or maybe even insulting for customers in another one. Cultural elements such as language, symbols, rituals, rules, beliefs, values, norms, taboos etc. mirror the prevailing religion that is traditional for the researched country.

Religion is in a long term a determining factor of the culture and as such, to some extent it necessarily influences consumer behavior. Either directly – when it prohibits or orders certain rituals or norms that are somehow connected to consumer behavior; or

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indirectly when some religious rituals, beliefs or norms get so widely spread in the culture that they become cultural standards (such as celebrating Easter or Christmas in countries with prevailing Christianity, or Ramadan in Muslim countries).

Although the impact of religion on consumer behavior either direct or indirect is obvious, it is still an under-researched area, especially in Central and Eastern Europe countries (like Slovakia), where in past twenty-five years a major change in both areas occurred at the same time. The major change in consumer behavior- caused by "opening of the gates" for goods from abroad (until the year 1989 the economy in Slovakia, as well as in other countries of former Eastern bloc, was tightly regulated by government and mostly closed for Western bloc products – therefore the supply was quite limited and consumers lacked choice). As well as a great change in a level of religious freedom. (Until 1989 the religious beliefs – were considered unwanted by the state politics, and therefore retrogressive. The open expression of one's Christian beliefs could often cause large problems in his/her job and determine condemnation by society). Therefore there arose a need for research of how important in changed consumer behavior are the influences of religion that had for years been restrained and what are the areas of consumer behavior, that the religion has the major influence on. The following paper presents results of empirical research study carried out in Slovakia, and therefore fills the knowledge gap in understanding of CEE customer behavior.

1 Methodology

Researching the effect of religion on consumer behavior is more and more popular among contemporary marketing researchers. Despite this some authors (Steenkamp, 2001; Jianfeng et al., 2009; Lindridge, 2005; Sood & Nasu, 1995; Matušovičová, 2005) still consider this topic under-researched. The main issues that are currently researched are:

- The extent to which the religion impacts consumer behavior (Pace, 2013; Jianfeng et al., 2009),
- Differentiation of impact of various religions in the same culture setting (Cleveland et al., 2013),
- East–West dichotomy in impact of religion on consumer behavior (Lindridge, 2005; Schneider et al., 2011, Sood & Nasu, 1995); often these studies are as well cross-cultural and cross-religious studies of impact,
- Studies of relation between extent of religious impact and level of consumer's religious commitment (Martin & Bateman, 2014; Ulvoas-Moal, 2010; Schneider et al., 2011; Swimberghe et al., 2011),
- Different practical aspects of consumer behavior and extent to which they were influenced by religious beliefs. This includes research topics such as forming of ethical judgments (based on religion) that form the will to boycott certain brand because of religiously unacceptable behavior of the firm (Swimberghe et al., 2011), impacting the choice of a store (Swimberghe et al., 2011), effecting the high involvement service choice (Haytham, 2013) and impact of religion on deciding about sustainable consumption (Pepper et al, 2011) or food (Just et al. 2007).

The extent to which the religion impacts consumer behavior had been researched by Pace (2013) or Jianfeng et al. (2009). Pace (2013) studied Buddhism and its impact on materialism and found out that religion can reduce and differ consumer behavior. Jianfeng et al. (2009) studied the purchase of mobile phones in China and found out that a kind of shopper, namely trend shopper is consistently related to religiosity (Christianity), suggesting that religiosity should be considered as a possible determinant of shopping behavior in the future.

Differentiation of impact of various religions in the same culture setting had been investigated by several authors. Cleveland et al. (2013) for example chose Lebanese Muslims and Christians as a sample to research the differential impact of globalization on culture. Authors used standardized scales to examine cultural globalization (acculturation to global consumer culture, AGCC), (Lebanese) ethnic identity (LEID), religiosity (REL), individual-level (Schwartz) and consumption-related values (materialism and consumer ethnocentrism, MAT/CET) and numerous consumption behaviors in two different contrasting coexisting religious groups. A negative AGCC-LEID relationship was found among Muslims – showing that the more globalised the customer gets the less ethnic identity he shows, whereas results of Lebanese Christians showed these two cultural forces as independent. Common for both groups was that the religiosity and CET (consumer ethnocentricity scale) positively correlate with LEID – showing that religious Lebanese with strong ethnical identity often prefer Lebanese products to imported goods. On the other hand those scoring high on materialism scale often behave as global consumers.

Study of East–West dichotomy in impact of religion on consumer behavior was done f.ex. by Sood & Nasu (1995), Lindridge (2005), or Schneider et al. (2011).

Sood & Nasu (1995) as one of first pioneers in this field decided to examine the degree to which the members of a religion accept the major beliefs of their religion, and what are its effects on consumer behavior. The study investigated relationship between religiosity, nationality, and consumer behavior on samples of American Protestant and Japanese consumers. In regard to religiosity, there were no significant differences between the consumer behavior of the devout and casually religious Japanese, whereas the devout American Protestants had considerably different consumer behavior than the casually religious Protestants. Authors as the most important conclusion emphasize the need for further research of this area.

Lindridge (2005) explored religiosity's effect on culture and consumption by comparing Indians living in Britain, with Asian Indians and British Whites. Indians living in Britain and British Whites sample groups were culturally less group- and consumption-oriented than Asian Indians. As well as diversity of religiosity determined consumer behaviors across the Indian sample groups. Authors conclude that marketers should recognize the importance of religion in culture in Eastern cultures, while in Western cultures they should focus on the centrality and the need to use consumption to maintain the individual's sense of individuality.

Schneider et al. (2011) investigated influence of intrinsic religion on consumer behavior and its ethical context on a sample of German Christians and Turkey Muslims. The authors conclude, that consumers in the Turkish, Muslim subsample, exhibit stronger relation between religiosity and ethical consumer behavior than consumers from the

German, Christian subsample, showing that a different culture and religion setting has definitely special impact on forming of ethical consumer behavior.

Studies of relation between extent of religious impact and level of consumer's religious commitment had been carried out quite often. The issue had been researched either as a main goal or as a partial research question by several authors (Martin & Bateman, 2014; Ulvoas-Moal, 2010; Schneider et al., 2011; Swimberghe et al., 2011).

Martin & Bateman (2014) assumed that consumers' behavior is influenced by their level of spiritual development and commitment, and that it can be spiritually motivated, therefore they examined consumer religious commitment's influence on ecocentric attitudes and behavior.

Ulvoas-Moal (2010) explored the influence of spirituality on the consumer behavior of older adults – seniors. Research results showed that there are areas where the influence of spirituality on the consumer behavior of older adults is present.

Schneider et al. (2011) examined differences in consumer behavior among German Christians and Turkey Muslims, as well as their level of religious commitment.

Swimberghe et al., (2011) investigated consumer religiosity and its consequences for consumer activism. He found out that among Christian sample in the United States, the level of religious commitment does matter and the more devoted Christian, the more keen to form ethical judgments and become active, when a company does not behave in line within ethical norms.

Currently probably most researched area of impact of religion on consumer behavior is examining different practical aspects of consumer behavior and extent to which they were influenced by religious beliefs.

Swimberghe et al. (2011) investigates the role of ethical judgment formed on basis of religion influencing the choice of store or activating the American consumer to boycott company's products or services.

Haytham (2013) researched the purchase of high involvement services among Muslims in Great Britain. Study results suggest that religion can have a significant impact on consumers' choice when purchasing an indemnity service (study was focused on car insurance service). According to authors, religious values are persistent over time, and therefore there are some potential long-term benefits for companies that can identify the lucrative religious consumer segments that are present in the local and global markets.

Pepper et al. (2011) provides an overview of research on Christianity and ecologically conscious, socially conscious, and frugal consumer behaviors in United Kingdom. Authors find weak positive relationships between general religion measures (dispositional religiousness, spirituality, religious service attendance, and Christian identification) and both types of consumer behavior. On basis of their results they suggest that religion does indeed foster sustainable consumer behaviors, but only marginally.

Just et al. (2007) using a survey of Israeli families assess how religious observance alters the influence of each family member on the types of foods purchased. They found that orthodox believers tend to favor husband and younger children, while more secular believers tend to favor wife and older children. This study shows that integrating religiosity and gender refines the targeting of the marketing campaigns for meat.

Based on what is currently being researched the presented study focuses on answering the following research questions.

Q1: What specific areas of customer behavior are somehow influenced by religion?

Q2: Are there any differences in impact of religion on consumer behavior between formal and devoted believers?

Q3: Are there any significant differences in impact of religion on consumer behavior between age groups?

The data that create a base for analysis were gathered during the first half of 2014 in CEE country Slovakia. The so called hybrid study (Richterová, et al. 2013) was conducted by semi structured interviews with more than 500 respondents from all regions of Slovakia. The sample was later refined to monitor consumer behavior of purely members of Generations X, Y, and seniors that were formal or dedicated believers. The final number of such subsample was 370. Respondents were interviewed based on prepared scenario where they had the opportunity to respond about their consumer behavior, values, attitudes and beliefs. Interviews were conducted face to face, when one researcher interviewed one participant - usually in their home environment. Data from semi structured interviews were recorded and subsequently processed first individually (each interview as a data set for qualitative analysis – identifying the basic norms and forms of behavior as well as factors that could have caused it) and subsequently structured to give comparable results.

Slovakia is considered a Christian country (75,3% of population according to Census in 2011 confesses faith and is organized in some Christian denomination) with prevalent Catholic religion (more than 62% of population is a member of the Catholic church according to Census in 2011). At first the larger sample (more than 500 respondents) contained consumers older than 12 believers and non believers. Later, after qualitative analysis, quantification and preliminary statistical analysis we extracted the consumers younger than 19 (as they belong to Generation Z, and today's 19+ belong already to Generation Y) and nonbelievers – their sample was as a "control group" used to compare the aspects that could be under influence of religion and aspects influenced by culture.

2 Results and Discussion

Analysis of the data gathered through the research led to following results, answering our research questions about impact of religion on consumer behavior, differences in this impact between committed and formal believers and about differences between age cohorts.

2.1 Religion and its Influence on Consumer Behavior

When trying to identify what are the aspects of consumer behavior that are under the influence of religion, our respondents had been asked to think about their faith and how they see it forms their consumer behavior. They had been asked later some more questions that gave us answer on how the religion of the consumer actually influences the purchase behavior. The most frequent answers were about food purchase. Most of the

respondents that were Catholics (as it is the prevailing confession in Slovakia) and therefore they spoke about avoiding meat purchase during lent, not eating meat on Fridays, giving up celebrations, out of home entertainment and intensive shopping during lent and on the other hand quite large preparations for church holidays such as Easter and Christmas- including intensive food purchase – there has to be enough of everything although the budget might be tight all the other days. None of the interviewed mentioned religion as something that would motive him/her to either boycott companies that do not fulfill the ethical standards or to behave more sustainably as a consumer.

When analyzing the semi-structured interviews it came clear, that there is a significant difference between formal and committed believers in the extent to which they see their faith influences them. The Table 1 shows the cross analysis of the religion commitment and its impact on the consumer behavior.

Tab. 1 Cross tabulation of Religion Commitment vs. Impact on Consumer Behavior

			Formal believer	Devoted believer	Total
Confession has an impact on consumer behavior.	Yes	Count	7	68	75
		%	9,3%	90,7%	100,0%
	Partially	Count	96	34	130
		%	73,8%	26,2%	100,0%
	No	Count	145	20	165
		%	87,9%	12,1%	100,0%
Total		Count	248	122	370
		%	67,0%	33,0%	100,0%

χ^2 test (p=0,00)

Source: Research Study Results

As it is clear from the Table 1, from those who see the direct influence of their faith on consumer behavior 90,7% belong to the group of devoted believers. On the other hand, from those that do not think, their faith anyhow influences their consumption is only 12,1% devoted Christians. Using Pearson's χ^2 test (p=0,00) the level of Christian commitment clearly has an impact on change of consumer behavior.

2.2 Differences in Religious Impact Extent

Further we tested what are the differences in two main areas: food purchase (mainly during lent) and Sunday shopping.

Slovak Catholics should avoid meat on Fridays, some church holidays and during lent. Other Christian churches in Slovakia do not command only advise fasting during some seasons (before Christmas, before Easter, during Easter Friday and Saturday). Cross-tabulation in Table 2 shows how religion commitment influences avoiding meat during lent

season. It is obvious, that formal believers rather ignore the lent (78,7% of those that do not avoid meat during lent are formal believers) where devoted believers tend to keep the lent. Keeping the lent means less food consumption in general and no meat purchase.

Tab. 2 Cross-tabulation of Religion Commitment vs. Avoiding Meat During Lent

			Formal believer	Devoted believer	Total
Avoids eating meat during lent.	No	Count	199	54	253
		%	78,7%	21,3%	100,0%
	Yes	Count	49	68	117
		%	41,9%	58,1%	100,0%
Total		Count	248	122	370
		%	67,0%	33,0%	100,0%

χ^2 test (p=0,00)

Source: Research Study Results

As Slovakia has not regulated Sunday shopping, during recent years it became very popular even among believers to shop on Sundays, after church. We wanted to see, if it is true and if believers do not think this behavior is in a contrary with the third of the Biblical Ten Commandments "Remember the Sabbath day, to keep it holy". The church had several times tried to communicate, that Sunday shopping means that people in the shops need to work and therefore it is not correct to do so.

Tab. 3 Cross tabulation of Religion Commitment vs. Avoiding Sunday Shopping

			Formal believer	Devoted believer	Total
Avoids shopping on Sunday.	No	Count	247	114	361
		%	68,4%	31,6%	100,0%
	Yes	Count	1	8	9
		%	11,1%	88,9%	100,0%
Total		Count	248	122	370
		%	67,0%	33,0%	100,0%

χ^2 test (p=0,001)

Source: Research Study Results

Although we found out (results in Table 3), that only 9 out of 370 respondents do not shop on Sundays, being persuaded, that it is not correct to do so. The rest – 97,56% of the respondents did not see neither moral nor religious problem with shopping on

Sundays. Interesting is that out of 9 people that did not see Sunday shopping as compliant with Christian ethics, 8 were devoted Christians.

2.3 Impact of Religion on Consumer Behavior of Different Generations

As it is clear from the results above, the level of commitment has impact on consumer behavior. During the process of analyzing the transcripts of interviews, one more thing came out. The generations see differently the importance of religion and faith in their daily life and as well in their consumer behavior. Further statistical analysis confirmed the qualitative data code. The older the consumer, the more influenced by his/her faith in consumer behavior he/she gets. As the Table 4 shows, 73,7% of those who are influenced by their religion in their consumption are seniors. According to Lesáková (2013) elderly people have different patterns in grocery shopping and from our results it is clear that with them religion has much larger role in deciding about consumption. When we compare the results with generation of middle-aged and young consumers we see that out of those that do see impact of religion on their day to day consumer behavior only 17,3% are Generation X, and only 9,3% are the Generation Y (currently young people in productive age).

Tab. 4 Cross-tabulation Generations vs. Impact of Religion on Consumer Behavior

			Generation Y	Generation X	Seniors	Total
Confession has an impact on consumer behavior.	Yes	Count	7	13	55	75
		%	9,3%	17,3%	73,3%	100,0%
	Partially	Count	35	59	36	130
		%	26,9%	45,4%	27,7%	100,0%
	No	Count	76	50	39	165
		%	46,1%	30,3%	23,6%	100,0%
Total		Count	118	122	130	370
		%	31,9%	33,0%	35,1%	100,0%

χ^2 test (p=0,00)

Source: Research Study Results

When we tested this differences with Pearson's χ^2 test (p=0,00) the outcome verified that the result is statistically significant, and the influence of religion on consumer behavior decreases with age (proportionally).

Conclusion

Based on the analysis of data gathered through research we came to following findings. Among consumers in CEE country Slovakia religion (Christianity) has rather small influence on consumer behavior. The major area of consumption that is under the influence of religion is purchase of food. Depending on the level of religious commitment Slovaks tend keep the lent seasons – with formal believers less and with devoted believers more strictly. As the Catholic Church in Slovakia recommends fasting from meat every Friday as well as directs it during important church holidays and lent, the consumption of such goods is declining. On the other hand, overall consumption of food and beverages on Church holidays when there is no direction of fasting (such as second and third day of Christmas, Easter Sunday and Monday) grows. Families consider it a must to have plentitude of food, despite the often tight budget with many.

Interesting finding is that very few believers (2,4%) see Sunday shopping as something ethically not corresponding with Biblical "Ten Commandments". Sunday became in Slovakia a family time, when many Christian families after church go for a short grocery shopping before lunch, or even visit shopping malls in the afternoon for shopping and entertainment.

When looking at the age cohorts, the largest impact of religion on consumption is recognized among seniors and the weakest among the young people – Generation Y. The younger the consumer, the more consumption and less religious oriented he is, concluding that the influence of religion on consumer behavior decreases with age.

The managerial conclusion of the results is the advice to respect the lent season – restaurants and canteens should offer nonmeat meals, grocery stores should focus more on promoting nonmeat alternatives, maybe even "educating and inspiring" to cook from other ingredients.

Results concerning Sunday shopping show, that there is no need for change. Most of grocery shops, as well as chain supermarkets, even in smaller cities are opened on Sundays. And consumers welcome it more and more each year. Although Church does not approve it, it has not been said clearly and often enough to change the habit that is very convenient for customers. Slovakia is in this matter very different from neighbor country Austria, where Sunday shopping is rather rare and in smaller cities impossible.

This article discusses results of the original research, and its conclusions are mainly oriented on food consumption and Sunday purchase, as these two issues were the most discussed among our respondents when speaking about influence of faith on their day to day consumer life. The impact of religion on other aspects of consumer behavior, such as sustainability, consumer activism or forming of ethical judgments should be further researched.

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Changing Patterns in International Staffing Policies – Conventional and Emerging Alternatives¹

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Abstract

Alongside the conventional expatriate assignment, we point to the emergence of a portfolio of alternatives to the traditional international assignment. The article reviews the various staffing options in multinational companies in general and then discusses different corporate motives for using international transfers. We try to explore a variety of supply-side issues, cost issues, demand-side issues, and career issues as triggers to this re-assessment. In the context of economic crises and its consequences, we argue that a standardized approach to international assignments is untenable and that it is essential to develop human resource policies and procedures that reflect differences in the various forms of emerging alternative international assignment and their associated complexities. We try to explore trends in this field worldwide as well as in the region of Central and Eastern Europe.

Key words

expatriation, human resource management, international staffing

JEL Classification: F23

Introduction

Multinational Corporations (MNCs), when expanding overseas have to determine the staffing configuration in their multinational subsidiaries. As practice has proven, MNCs, typically in the initial period of a subsidiary operation, delegate their management, usually to a trusted parent country national (PCN) or, which is less common, to a third country national (TCN).

1 Methodology

The aim of the article is to describe and identify portfolio of alternatives to the traditional international assignment and their presence in human resource policies of MNCs worldwide. It also argued that many MNCs in the post-crisis economic situation are cutting costs where new forms of international have space.

Therefore, in writing this article was used method of synthesis and analysis. To illustrate the use of real alternatives defined by us, we used secondary data sources, especially the research studies of MERCER and Brookfield.

¹ VEGA 1/0461/12 - Managerial competences in foreign and local companies in Slovakia as a source of increased competitive advantage in the era of globalized economy.

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2 Results and Discussion

The literature on international staffing including expatriate management is abundant and growing. Several major topics can be identified here (Tung, 1982, Deresky, 2008) with regards to two primary streams:

1) concerning expatriate management:

- effective selection criteria and selection mechanisms of a candidate for overseas assignments
- the preparation and training of an expatriate,
- an expatriate's adjustment to a foreign environment
- an expatriate's performance appraisal and compensation
- the repatriation of managers into a company's headquarters
- the determinants of expatriates' success (including cultural competence), their failure ratio and its costs
- the role of an expatriate's spouse and a female expatriate

2) concerning the staffing configuration:

- international staffing options
- the determinants and motives of staffing options, including strategic predispositions of MNCs
- the effects of staffing choices
- the staffing trends and patterns
- the Human Resource Management (HRM) policy applied to international staffing.

The principal focus of the studies identified above is on PCNs and less attention has been paid so far to the effective utilization of TCNs and host country nationals (HCNs) in staffing positions in multinational subsidiaries. On the next table, we can see advantages and disadvantages of using PCNc, HCNs or TCNs.

Tab. 1 Advantages and disadvantages of using PCNs, HCNs or TCNs in MNCs

	Advantages	Disadvantages
Parent country nationals (PCNs)	<ul style="list-style-type: none"> • familiarity with the home office's goals, objectives, policies and practices • technical and managerial competence • effective liaison and communication with home-office personnel • easier exercise of control over the subsidiary's operations 	<ul style="list-style-type: none"> • difficulties in adapting to the foreign language and the socio-economic, political, cultural and legal environment • excessive cost of selecting, training and maintaining expatriate managers and their families abroad • the host countries' insistence on localizing operations and on promoting local nationals in top positions at foreign subsidiaries • family adjustment problems, especially concerning the unem-

Host country nationals (HCNs)	<ul style="list-style-type: none"> • familiarity with the socio-economic, political and legal environment and with business practices in the host country • lower cost incurred in hiring them as compared to PCN and TCN • provides opportunities for advancement and promotion to local nationals and, consequently, increases their commitment and motivation • responds effectively to the host country's demands for localization of the subsidiary's operation 	<ul style="list-style-type: none"> played partners of managers • difficulties in exercising effective control over the subsidiary's operation • communication difficulties in dealing with home-office personnel • lack of opportunities for the home country's nationals to gain international and cross-cultural experience
Third country nationals (TCNs)	<ul style="list-style-type: none"> • perhaps the best compromise between securing needed technical and managerial expertise and adapting to a foreign socio-economic and cultural environment • TCN are usually career international business managers • TCN are usually less expensive to maintain than PCN • TCN may be better informed about the host environment than PCN 	<ul style="list-style-type: none"> • host country's sensitivity with respect to nationals of specific countries • local nationals are impeded in their efforts to upgrade their own ranks and assume responsible positions in the multinational subsidiaries

Source: Harzing-Reiche, 2009, p. 6

Staffing strategies are complex in international environment and important for implementation of international business strategies, especially cross-border mergers and acquisitions or strategic alliances. A study conducted by the Centre for Research into the Management of Expatriation (CReME) at Cranfield University, identified four types of international assignments in British MNCs operating in Europe. These types are:

- long-term or expatriate assignment
- short-term assignment
- international-commuter assignment
- frequent-flyer assignment

According to Pucik et al (2002) we can identify changes in the nature of expatriate jobs and the conditions of the assignment and alongside the conventional expatriate

assignment, he points to the emergence of a portfolio of various alternatives to the traditional international assignments.

Alternatives to traditional Long-Term Expatriate Assignment:

- Short-term assignment
- Self-initiated assignment
- Returnee assignment
- International commuter assignment
- Rotational assignment
- Virtual assignment
- Localization

Short-term expatriate assignments

Short-term expatriate assignments appear to have several appealing benefits for both the organization and the alternative expatriate. The largest benefit to an organization is lowered costs, because the move is for a shorter duration and does not typically involve moving furniture or family. With shorter assignment times, short-term expatriates appear to have lowered the impact distance has had on key network contacts at the home office. This is something that has been shown to cause traditional expatriates issues when they return to the home office as they have lost connections to former colleagues or managers while on assignment. Research also shows that short-term assignments are increasing in importance through additional use and are the assignment type most expected to increase in use by practitioners. (Tahvanainen, et al., 2005)

Self-initiated foreign assignments

A group of employees that has received little attention but is growing in numbers are foreigners who work overseas without having been sent out by an organization. These employees are not expatriates in the traditional sense of the term but are on self-initiated foreign assignments. (Pucik et al, 2002). They typically have local employment contracts and no guarantee of remaining employed by the corporation on their return to their home country, even if that happens to be the corporation's home country. (Suutari, Brewster, 2000).

Returnees

Returnees are people who have studied and maybe worked abroad before returning to their home countries. Many demand and are given the benefits associated with expatriate status, some are not.

Rotational assignments

A particular category is rotational assignments, where the expatriate commutes to another country for a short, set period of time followed by a break in the home country.

Virtual assignment

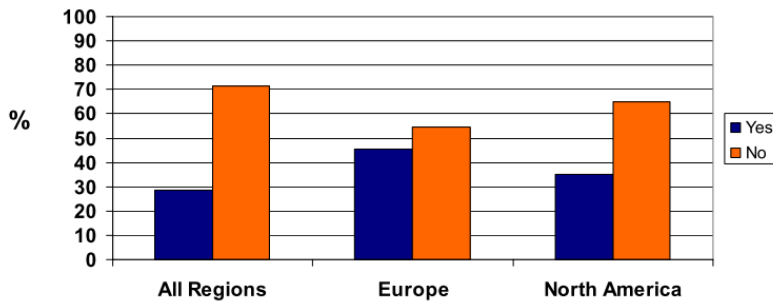
A virtual assignment does not require the individual to physically relocate to a foreign organizational unit but rather distributes international responsibilities as managed from the individual's home base. The ongoing revolution in communication is dramatically expanding the possibilities of virtual expatriation, but despite the many advantages of virtual assignments that often exceed those of short-term assignments, face-to-face

communication remains crucial in many circumstances, thus limiting the use of virtual work arrangements. (Pucik et al, 2002).

International commuters

A variation of post-expatriate management is the international commuter. International commuter assignments were defined as ones where the employee commutes from home country to a place of work in another country, usually on a weekly or bi-weekly basis, while the family remains at home. The overview of companies having employees on commuter assignment describes Graph 1.

Graph 1 **Companies having employees on commuter assignments**



Source: MERCER, 2010, p. 7

Impatriation

Important part of impatriation process is often a temporary assignment to the head office or parent country operations. Such foreign nationals on nonpermanent assignments in the parent country of the multinational are frequently called „impatriates“. The number of impatriates is increasing worldwide. Harvey et al (2000) proposed that impatriate employees who are well integrated into the home organization may provide multinational company with a number of significant advantages such as:

- Unique cultural and social knowledge and insights that are difficult to imitate
- Acting as a critical communication point for a host country managers to ensure the clarity of the strategy
- A diversity of perspectives when developing international business strategies, policies and plans
- A pool of talent that can replace high-cost and high-failure expatriates in the host countries.

For instance, MNCs with operations in Central and Eastern Europe have a considerable number of impatriates at corporate headquarters.

Most expatriates are young employees or middle managers who come to the parent organization for developmental assignments, to absorb the corporate culture, or to participate in project teams. Some come with explicit aim of preparing themselves to replace expatriates, others stay and join the home organization on a semipermanent or permanent basis. (Ferenčíková et al, 2013)

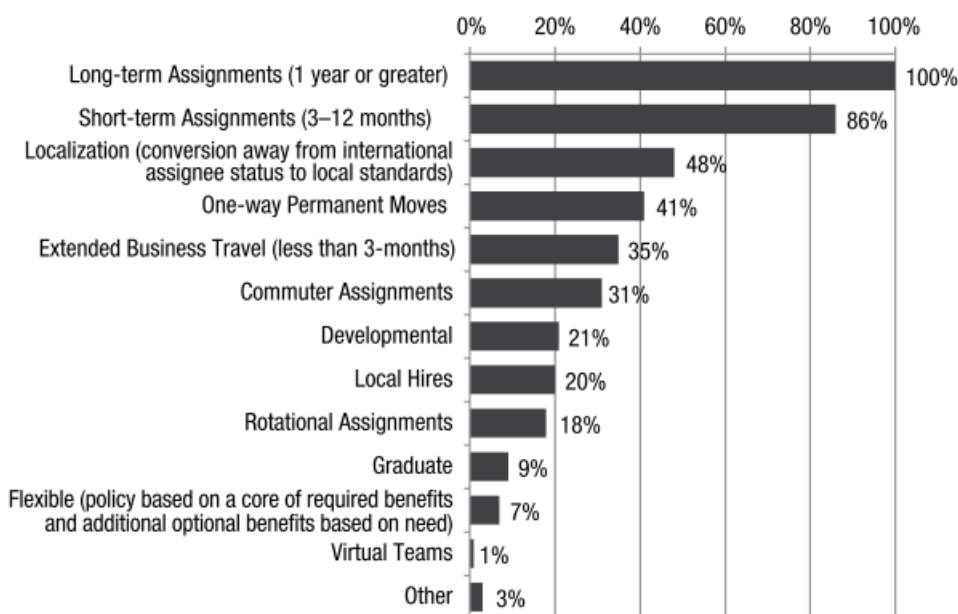
Some companies simply treat their impatriates as local staff, integrating them into the home office compensation and benefits programs. They do not provide foreign service premiums, housing support, or related benefits to their impatriates, assuming that the corporate headquarters is the center of the universe.

Localization

Localizations (converting international assignees to local standards) are a critical method companies can use to address a variety of business needs, including cost reductions, and more companies are looking to document and formalize this business practice by implementing a formal localization policy.

According to the Brookfield research study (Brookfield, 2013), where MNCs were asked about the kind of policies they currently have in place, they all identified (Graph 2) long-term assignment policies (1 year or more), 86% short-term assignment policies (3–12 months), 48% policies for localizing international assignees (conversion away from international assignee status to local standards), 41% one-way permanent move policies, 35% extended business travel policies (less than 3 months), 31% commuter assignments, 21% developmental assignments, 20% local-hire policies, 18% rotational assignments, 9% graduate assignments, 7% flexible policies based on a core of required benefits, 1% virtual team policies and 3% other types of assignment policies.

Graph 2 Assignment Policies Currently in Place

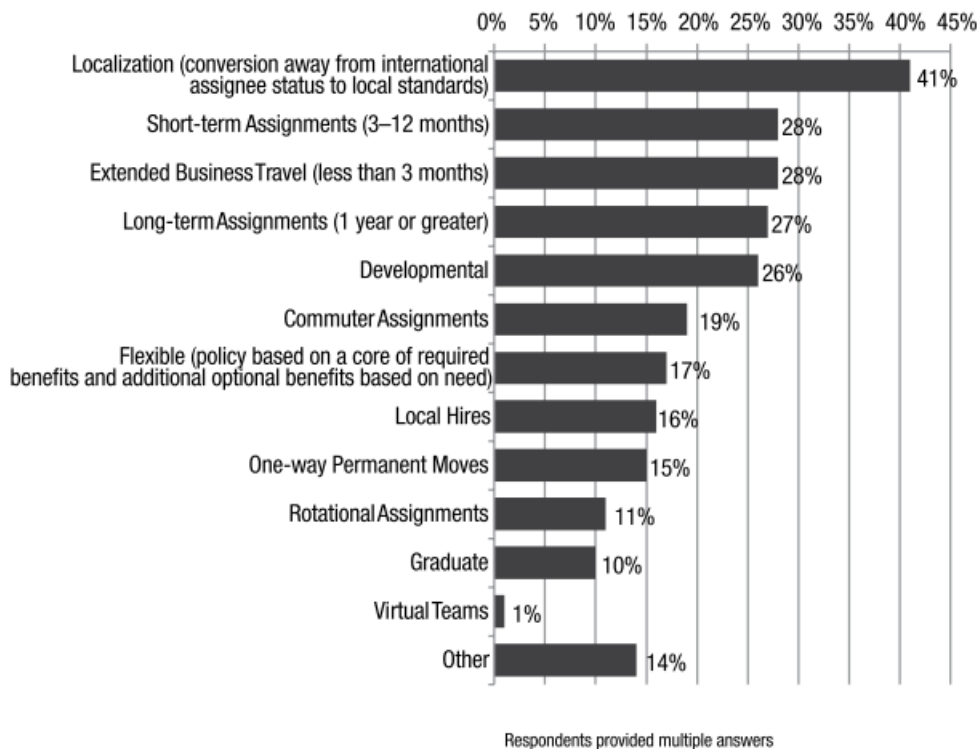


Respondents provided multiple answers

Source: Brookfield GRS, 2013, p. 48

In the same study (Brookfield, 2013), when they asked which policy types were being considered for future development or implementation (Graph 3), 41% identified policies for localizing international assignees (conversion away from international assignee status to local standards), 28% short-term assignment policies (3 months to 1 year) and extended business travel (less than 3 months), 27% long-term assignment policies (1 year or more), 26% developmental assignments and 19% commuter assignments.

Graph 3 Assignment Policies Being Considered for the Future



Source: Brookfield GRS, 2013, p. 49

Conclusion

This article has given an overview of various dimensions and issues related to international assignments. We provided an overview of the different transfer policies, looked at the specific motives for international transfers and reviewed alternative forms of international transfers. International assignments are increasingly becoming a strategic instrument for MNCs to successfully compete internationally and MNCs have a lot to lose if they do not manage international assignments well.

We argue that multinational companies are making greater use of a range of alternative or non standard forms of international assignment. According to the Brookfield research we can see, that companies are using alternative forms, such as short-term assignments, localization, one-way permanent moves, extended business travel, commuters assignments, etc..

Localization is the most popular policy under consideration for future development by companies. As companies move at varying paces through the recession years when many may have used localizations as an immediate way to make drastic but necessary program cuts, there is recognition that localizations can remain an important tool for cost control as well as a method to ensure long-term program compliance and equity.

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The Potential of E-commerce as a Distribution Channel to Increase the Quality of Life of Seniors¹

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Abstract

The aim of the paper is to point out the prospects of the significance of e-commerce as a distribution channel in the silver economy, as means to improve the quality of life of this increasingly important consumer group. The first part of the paper deals with the demographic development of the population towards ageing. The second part describes the current hurdles to overcome in regards to the use of e-commerce by older people and it also determines the future use and benefits for the older generations yet to come. The third part highlights the importance of logistics within this distribution channel in order to guarantee a seamless and efficient operation of e-commerce services. The paper works with available bibliographical and statistical sources which are focused on the given topic.

Key words

population ageing, seniors, distribution channels, e-commerce, e-logistics

JEL Classification: J14, M30

Introduction

The ageing of the population can be considered to be one of the most significant demographic developments. In order to meet the more specific requirements of this consumer group, new approaches in distribution may be required.

E-commerce as a distribution channel has experienced a rapid, double-digit growth over the past years, gaining a wide acceptance among consumers of all age groups. This brings up the question according to the suitability of this distribution channel for the increasingly important group of seniors. The paper analyzes therefore based on available secondary data also the use of the internet and e-commerce by older consumer age groups.

The specifics of e-commerce may provide several benefits, which may be compatible with the needs of older age groups. This article compares therefore the main senior-specific advantages and disadvantages regarding this distribution channel and it analyzes also e-commerce from a logistics point of view, highlighting the concept of e-logistics, because the overall level of logistics services is one of the key factors in order to provide convenience to the older age groups of customers and moreover, it increases their interests in e-commerce as well.

¹ VEGA 1/0612/12 „Determinants of the level, structure and trends in personal consumption and consumer behaviour of seniors in the context of pricing and incomes policy in Slovak Republic“.

VEGA 1/0134/14 „Encouraging innovation in distribution processes through the introduction of modern technologies and optimization of logistics activities aimed at reducing the impact on the environment and increasing the quality of life“.

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1 Methodology

The aim of the paper is to characterize the potential of e-commerce as a distribution channel in the context of an increasingly ageing population and to point out the main selected advantages and disadvantages of this distribution channel in regards to its utilization by this demographic group. The article deals also with the logistics aspect of e-commerce. We worked with secondary information available on Eurostat, Web of Science and Ecommerce Europe, as well as national and international literature and other sources. Apart from the analysis of documents, we applied also scientific methods such as analogy, abstraction, analysis and synthesis, induction and deduction.

2 Results and Discussion

2.1 Population ageing

Population ageing can be defined as changes in the age structure caused by an increased share of elderly in the population. This can be attributed to the progress in economic, social and health areas. The ageing of the population in the EU countries is mainly the result of four demographic trends, such as a low birth rate, the post-war baby boom, the increased life expectancy and the inflow of migrants (Krescanková, 2013).

Table 1 provides an insight into the percentage of the population aged 50 - 64 years and older than 65 years in the total population of the European Union and selected countries in the years 2002 - 2013. In our case it is a comparison of the Slovak Republic and the countries of the so-called Visegrad Group.

Tab. 1 Proportion of the population aged 50 – 64 years and 65 plus

Country	Year											
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EU	17,5	17,7	17,9	18,0	18,2	18,4	18,7	18,9	19,1	19,4	19,6	19,7
CZ	19,4	19,9	20,4	20,9	21,1	21,3	21,4	21,2	20,9	20,8	20,4	20,0
Hungary	18,4	18,7	19,1	19,7	20,1	20,4	20,4	20,5	20,3	20,4	21,0	20,8
Poland	15,9	16,4	17,0	17,6	18,2	18,9	19,6	20,2	20,8	21,3	21,4	21,3
Slovakia	15,6	16,2	16,8	17,4	17,9	18,4	18,9	19,3	19,6	19,9	20,2	20,3
Country	Year											
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EU	16,0	16,2	16,4	16,6	16,8	17,0	17,1	17,3	17,5	17,6	17,9	18,2
CZ	13,9	13,9	14,0	14,1	14,2	14,5	14,6	14,9	15,3	15,6	16,2	16,8
Hungary	15,3	15,4	15,5	15,6	15,8	15,9	16,2	16,4	16,6	16,7	16,9	17,2
Poland	12,6	12,8	13,0	13,1	13,3	13,4	13,5	13,5	13,5	13,5	13,8	14,2
Slovakia	11,4	11,5	11,6	11,7	11,8	12,0	12,1	12,2	12,4	12,6	12,8	13,1

Explanation: Data are given in percentage shares. EU = European Union, CZ = Czech Republic

Source: Eurostat. 2014. Data processed based on information available at <<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tps00028&plugin=1>>

According to the data given in table 1, we can say that the European Union is gradually ageing. The share of the population aged 50 - 64 years increased from the level of 17,5 % to 19,7 %. The proportion of older people increased during this period by more than two percent, from the level of 16,0 % to 18,2 %. It may seem like an insignificant increase, but the European Union consists of 28 countries with a total population of over 505 million - even a small increase in this percentage has therefore an impact.

Central European countries experienced the opposite trend. The group of 50 - 64 years displays fluctuations in the values within the monitored period of time. This is most significant in countries like the Czech Republic and Hungary, where the share of this demographic segment shifted from the values of 19,4 % to 20,0 %, respectively from 18,4 % to 20,8 %. The largest increase in this group was observed in Poland, from 15,9 % to 21,3 %. The Slovak Republic recorded a similar trend as Poland and this value jumped from 15,6 % to 20,3 % of the population aged 50 - 64 years. Changes in the values between countries can be caused by the shift of the population into older age categories, respectively by the increase in the younger population.

Among the so-called V4 states, all countries recorded an increase of the population older than 65 years. However, we can say that the greatest rise in the proportion of this group was in the Czech Republic - from 13,9 % to 16,8 %. The largest share of elderly people has Hungary - the percentage of this age group within the population greatly exceeds most other countries and it is close to the values of the European Union. The Slovak Republic has the smallest proportion of older people in the total population, which shifted from 11,4 % to 13,1 % during the monitored period.

We can say, based on the results of the survey conducted by the authors Domonkos and Lichner (2013), that the impact of ageing will be in Slovakia limited until the year 2020. The effect of ageing is going to be dominant after this year. The expected share of households with an elderly reference person (over 60 years old) is going to rise slowly over time and it will reach almost 35 % of all households by 2020. The households' share of 30 - 44 would decline due to gradual ageing and moving to the age group of 45 - 59 years old. The total population will grow and also the number of persons aged 45 - 59 and 60 plus will increase over the analyzed time period. The amount of households in the group of 30 - 45 years old will increase only until 2020 and then it is expected to decrease. The number of persons in the group of less than 30 years will be constantly falling throughout the analyzed period. This makes the decrease of its share more dramatic in comparison to the other two groups under 60.

Projections made up to the year 2060 have shown, that life expectancy will grow up to 84,6 years for men and to 89,1 years for women in the European Union. The Slovak Republic has the 7th lowest life expectancy within the member states - having an average life span of 75,3 years in 2010, with a projected increase up to 84,8 years. People aged 65 and over will represent more than 30 % of the population of the country by 2050 (Petríková, 2013). Population ageing is going to accelerate in the coming decades. While currently two inhabitants in the age of less than 17 years fall on 1 inhabitant over the age of 65, this ratio will be reversed by the year 2050 (Lukačovičová, 2012).

2.2 The Silver Economy

The concept of silver economy is based on silvery hair color of ageing population and it can be defined as the potential that represents innovative products and services

designed to increase the quality of life in the higher age. According to this approach, we can distinguish between two concepts – the silver generation and the silver market. The silver generation is a group of potential consumers (population older than 50 years). The silver market is the market for products and services focused on the silver economy (Páleník et al., 2012). It is a dynamically developing sector of the economy, which includes the activities connected with the independent living (such as housing, architecture, new media and telecommunications), health and well-being, tourism, sport, culture, home-based services and shopping as well as special financial services for the elderly (Kurek & Rachwal, 2011).

At the first conference of the “Silver Economy in Europe” series in 2005, ten European regions founded the so-called Silver Economy Network of European Regions (SEN@ER) and they adopted also the Memorandum of Understanding “Bonn Declaration for the Silver Economy – Silver Economy as an opportunity for quality of life, economic growth and competitiveness in Europe”. According to this Declaration, silver economy represents a potential for new and innovative products and services for a better quality of life in the old age. This innovative effort leads to economic growth and job creation, increasing the global competitiveness of Europe as a whole (Dovářová, 2012).

The effects of the implementation of the silver economy concept at a time when we move towards a personalized economy may have pro-growth character. However, it requires a large degree of technological originality, an educational system that supports divergent thinking, legislation and attitudes that support the individual (Pauhořová & Páleník, 2013).

The economic potential related to the silver economy in Europe is based on the fact that the retirees of the baby boom generation will be wealthier and better educated than their predecessors. This may lead to a raising demand for high quality services. The European Union should support intergenerational solidarity by increasing the awareness of the benefaction made by the seniors to the society, and by developing an entrepreneur approach towards the elderly which could help to mobilize the full potential of the ageing groups (Kurek & Rachwal, 2011).

On the other hand we must say, that seniors represent in the current marketing practice a neglected and overlooked segment. Despite the growth in the share of this age group, seniors as a specific customer segment do not receive adequate attention. Traders believed that the segment of the elderly is not attractive enough to justify specific marketing activities. This fact is surprising, since demographic trends, healthcare and life attitudes changed many seniors, which suggests a considerable potential of this target group. Sociological research demonstrates that this market is going to become in the upcoming years one of the few growing markets. Although the interest of traders in elderly customers has increased slightly in recent years, a thorough research of the potential and the specifics of this market segment is still missing (Lesáková, 2012).

2.3 E-commerce and its role in the European economy

E-commerce has undergone a rapid development over the past years, which has contributed to the creation of new marketing and logistics concepts, especially suited for the requirements of this distribution channel. According to Kita et al. (2010), e-commerce is declared as the technological and applicative environment for a complex of company business activities.

The internet based economy had according to the association Ecommerce Europe (2014) a 2,2 % share on the EU 28 GDP. The annual growth of e-commerce reached in the year 2013 approximately 14,7 %, with a turnover of 317,9 bn. €. Ecommerce Europe estimates also that the growth of e-commerce has contributed to an increased number of sent parcels, which has resulted in 3,7 billions of B2C parcels, sent domestically or cross-border (in Europe). It can be therefore expected, that due to the annual double digit growth, logistics are going to be even more emphasized in conjunction to e-commerce.

2.4 The use of e-commerce by seniors

The increasing popularity of e-commerce brings up the question regarding the utilization of this expanding distribution channel by older consumer age groups. According to Eurostat (2013), 94 % of the people in the age between 16 - 24 years; 80 % of the people in the age between 25 - 54 years; and only 46 % of the respondents who belong to the age group of 55 to 74 years used the internet at least once per week in the year 2013. This may imply, that the group of 55 - 74 years old people offers still room for further growth, because a higher share of internet users in this category is going to reflect the fact, that internet and therefore also e-commerce has become an essential part of everyday life of the majority of the European population, irrespective of their age.

According to the Survey on the usage of information and communications technology in households conducted by the Slovak Statistical Office in the first quarter of the year 2013; out of the respondents, who had used the internet at least once in the 3 months prior to the survey, internet had been used almost every day by 70,3 % of the age group between 45 - 54 years; by 58,3 % of the age group between 55 - 64 years; and by 42 % of the age group between 65 - 74 years. The survey shows also, that the internet had not been yet used by 11 % of the age group between 45 - 54 years; by 32,4 % of the age group between 55 - 64 years; and by 61,1 % of the age group between 65 - 74 years. These results indicate, that the higher the age of the relevant consumer group is, the lesser is the intensity of the internet use. The survey has moreover shown that more than the half of the population of 65 plus years has not yet used the internet, so e-commerce is still not accessible to a majority of this age-group. The purchase of goods or services for private use over the internet had been utilized at least once in the 3 months prior to the survey by 29,5 % of the age group between 45 - 54 years; by 15,9 % of the age group between 55 - 64 years; and by 8,3 % of the age group between 65 - 74 years. On the other hand, the internet had not been used to purchase goods and services by 35,7 % of the age group between 45 - 54 years; by 59,8 % of the age group between 55 - 64 years; and by 73,8 % of the age group between 65 - 74 years. These results indicate that in the Slovak Republic the increasing age of users offers less potential for e-commerce, especially in the case of the age group consisting of users, who fall into the age category of 65 or more years. The barriers to employ e-commerce as a distribution channel by older age groups might not be overcome over a short period of time, however the specific hurdles and their intensity may be different from country to country and they depend also on the individual consumer. The survey shows also the potential for e-commerce regarding its use by the older generation in the decades yet to come, which is reflected especially by the current age group of 45 - 54 years, where almost one third of the respondents had been purchasing goods and services via the internet, so there is a high probability, that they remain loyal to their purchasing habits, or even extend the scope of their online purchases.

2.5 Specifics of e-commerce in the context of an older consumer group

E-commerce offers a variety senior-specific advantages and disadvantages, which partially explain the slower adoption time of this distribution channel by this consumer age group, however its specifics may also contribute towards its increased use by the seniors yet to come. We have therefore characterized selected benefits and hurdles in regards to the utilization of e-commerce by seniors. The main selected advantages are:

a) *Convenience regarding deliveries.* The flexibility regarding the delivery methods as well as continuously decreasing delivery times represent one of the several advantages of e-commerce in terms of the physical flow of purchased goods. Older age groups of customers may benefit from this distribution channel in case of their limited mobility, so this specific customer group may not be inhibited in its shopping experience. The degree of convenience related to deliveries depends of course on the applied delivery method and the achievable speed of the delivery, which highlights the importance of efficient logistics as one of the decisive factors in terms of customer satisfaction. Therefore, the rule towards customer satisfaction in regards to the delivery of goods is quite simple: The faster and closer the delivery to the "doorstep" is, the higher is the comfort for the buyers. This can be achieved mainly by the use of parcel services, or the logistics infrastructure of the e-retailer, the decisive factor is however the price of the delivery, which has to be borne by the recipient. Parcel terminals have become a viable alternative; however their location may be not convenient enough, so closer located brick and mortar shops may be a better alternative, if no other advantages related to online shopping are offered.

b) *The available assortment.* E-commerce offers a wide range of goods and services and furthermore, these may be suited for older age groups and their needs. Such goods and services does not have to be available within their location or driving distance, especially in the case of seniors on the countryside or older people who live in more distant locations with a lack of shopping opportunities. Therefore, e-commerce may help to contribute towards a more equal distribution of goods and services. Services such as the delivery of groceries and food are another area of e-commerce, which may increase the quality of life of older people. However, these require an efficient existing logistics infrastructure due to the nature of the transported goods, so potential clients in remote areas may not be able to use fully these services, because the logistics costs for the providers of such services would be too high.

c) *Lower price levels and transparency.* Savings which are available thanks to the nature and possibilities of e-commerce contribute towards a generally lower price level of this distribution channel. Older age groups, which have to usually cope with a lower income, can be therefore considered to be a price sensitive demographic group. Seniors may save their financial resources by adopting e-commerce as a distribution channel; whether they purchase goods for long-time use, or everyday products. Transparency is another element, which contributes towards a lower price level in e-commerce. Due to their increased price sensitivity and usually thanks to more available time, seniors are able to do extensive price comparisons in order to find their desired object of purchase for the best price or delivery conditions.

Despite the tangible benefits of e-commerce in regards to older age groups of consumers, the current generation of seniors faces several barriers in order to fully benefit from the advantages and opportunities that e-commerce may provide. The main areas in question are:

a) *Financial restrictions.* The prices of information and communications technology devices can be considered as one of the main restrictions in regards to the use of the internet, or e-commerce by seniors. However, the scope of the financial burden is proportional to the overall income of seniors, so it may differ from country to country and of course from individual to individual. Even though the prices of such devices have been gradually decreasing, they may still represent a major expense in regards to the overall income based mainly on retirement pays. All in all, such items may not hold a prominent position in the hierarchy of expenditures of seniors, because their income is distributed into areas of higher importance, such as medical care. The financial barrier may be partially an obstruction only to the current generation of older people. As the technology advances, it becomes not only more affordable, but also increasingly a part of our everyday life. It can be therefore stated, that the upcoming generation of seniors will be fully adapted to the use of ICT and it is going to own the necessary devices.

b) *Insufficient digital skills and conservative shopping habits.* The lack of computer skills may represent another hurdle to overcome. According to the European Commission (2014), 38 % of disadvantaged people (people aged 55 - 74, low educated or unemployed, retired or inactive) have no digital skills at all. If the current technological development is analyzed in the context of the past decades, we can see that several revolutionary developments have taken place. However, this does not mean that the average senior will reach out for his or her computer in order to buy basic groceries, instead of going to a local retailer. First of all, e-commerce as a distribution channel is simply not able to meet any immediate needs, which satisfaction within a short period of time is especially crucial for the well-being of seniors. Secondly, the shopping habits of seniors have been formed over their entire life-span, so significant changes may not be introduced smoothly.

c) *Impersonal shopping experience.* Social interactions, as well as the ability to review a product in real life, can play a significant part within a shopping experience. If a more conservative approach is attributed to the elder generation of consumers, it may be assumed, that based on the previous shopping habits of seniors, which are focused primarily on brick and mortar shops; face to face interactions, the possibility to receive help by the sales personnel as well the overall feeling of "being among people" may represent important factors in the purchasing habits of seniors. E-commerce transactions are based mainly on impersonal communication, so this distribution channel may not be as attractive for older people in terms of face to face interactions. Another disadvantage in regards to an impersonal shopping experience is the fact, that there is no possibility to review a product in real life prior to its purchase, so online transactions involve a certain degree of risk.

The comparison between the main selected advantages and the disadvantages shows that the utilization of e-commerce by older age groups depends on the individual situation and preferences of seniors. All in all, many of the current barriers may diminish over the course of time and moreover, they may even turn into chances, because the benefits of this distribution channel are able to satisfy conveniently several of the senior-specific needs, especially in the context of further developments in the area of logistics. However, this process may not be controlled by pure marketing efforts. It is going to be most likely a result of external, demographic changes resulting in a generational shift, where purchases via e-commerce have been already adopted and therefore transferred into the shopping habits of future seniors.

2.6 Challenges brought up for logistics by e-commerce

According to Daňo, a successful commercial transaction with customers in e-commerce is not possible without the solution of logistics problems, especially within the last part of the delivery to the end-user (Daňo & Kita, 2009). The emergence of e-commerce has brought up many challenges. The authors Vahrenkamp and Kotzab (2012) state, that a central challenge for the distribution logistics is the emergence of additional packets. It is defined by a clear tendency towards fast packets, divided into small sections. This "atomization" of the parcel scale represents high requirements on the flexibility and the speed of transport. Also, the number of returned goods is increasing significantly. The time slots for the supplies, especially for direct deliveries are becoming more important. The big challenge is in the adjustment or in the new creation of distribution systems in light of the requirements arisen by e-commerce.

Information and communication technology plays therefore a central role in logistics, especially in conjunction to e-commerce, where the interconnection between various systems provides efficiency and savings of financial funds and time, contributing also to more transparency and overall flexibility of logistics processes.

2.7 E-logistics as a prerequisite for the efficiency of e-commerce

The implementation of modern ICT systems into logistics processes and operations is a vital element in the strategic and tactical approach regarding the efficient flow of physical goods and information in the area of e-commerce. According to Lesáková et al. (2011) the strategies of logistics activities are based on the maximal utilization of information technology. Logistics include all activities realized in order to ensure the delivery of the product or the service to the end-user. With the support of logistics information systems, it solves transportation, warehousing and inventory management processes as one functional unit. The increased use of modern ICT has led to the term of e-logistics, especially in the area of e-commerce. According to Deryn et al. (2013), E-logistics or Electronic Logistics is part of an "E-genre", which includes E-learning, E-Business, E-commerce, etc. all of these terms essentially refer to the major and significant employment of IT for that domain. In the case of E-logistics the use of IT has been manifold, from software applications; databases, data warehousing, knowledge bases, data mining, etc. to the use of Radio Frequency Identification (RFID), the internet and the World Wide Web.

E-logistics offers according to Gudehus and Kotzab (2012) advantages such as: the transaction costs for orders, data and information are reduced substantially by EDI and internet; based on article data, inventory and information orders, efficient scheduling strategies can be realized and quick decisions are possible; EDI enables the advanced shipping notification of the receivers; electronic ordering systems, order acknowledgment and invoicing speed up and simplify the order processing between industry and retailers; errors are reduced, response times are shortened; continuous replenishment programs (CRP) of the manufacturers enable automated replenishment based on agreed delivery abilities and lead times; demand forecast can be improved by computer integrated merchandising systems, which connect widely distributed and far away point of sales (POS) with the production and replenishment systems; the actual information about locations and loads of transport units, send via satellite, per internet or by EDI, enable dynamic transport scheduling and effective control of transport fleets; advanced

application, allocation and operation strategies can be realized; based on the current utilization of resources and networks, intelligent booking systems and pricing models are possible.

It is therefore obvious that e-commerce benefits greatly from the implementation of modern technology, which can significantly contribute towards the faster processing of orders and the replenishment of goods. This results in the reduction of lead times and overall logistics costs, which contributes to an overall competitive advantage of an e-retailer. All in all, the area of logistics in e-commerce is going to be the subject of further development and innovations, because it will be one of the decisive elements necessary to build up and maintain a competitive advantage.

Conclusion

Seniors represent a consumer group of significant importance, due to their increasing share on the overall population. This demographic development opens also the question regarding the potential of e-commerce as a distribution channel and its utilization by this continuously growing demographic group. Elder people may benefit from the convenience regarding deliveries, a wider available assortment and generally lower price levels. However, the current generation of seniors faces various barriers in order to accept e-commerce as a distribution channel, such as financial restrictions, insufficient digital skills and conservative shopping habits and an impersonal shopping experience.

The intensity of the advantages and disadvantages of e-commerce varies from country to country and the individual factor plays also a major role as well, it can be however assumed, that the age group of the seniors yet to come is going to accept this distribution channel more widely, so the potential of e-commerce in regards to customers from older age groups is going to grow during the upcoming years. The comparison of these advantages and disadvantages led to the conclusion that logistics are one of the central elements regarding a convenient use of e-commerce as a distribution channel. E-logistics represent therefore a major strategic area of e-commerce, because it adjusts to the specifics and challenges regarding the physical flow of goods and information within the conditions of this distribution channel and moreover, it is able to convert them into competitive advantages regarding cost efficiency, savings of time as well as the reduction of overall lead times, providing benefits for both, the e-retailers as well as the customers.

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Dynamics of the European and Slovak Advertising Market and the Market Research Industry¹

Monika Krošláková² - Radoslava Mečiar³

Abstract

Business Services play the key role in the economic development of each economy. They are based on activities, especially economic activities of the M-section – special, academic and technical activities of the researched division Advertising and market research. The main target of this article is to evaluate the present state, dynamics and competitiveness of these divisions' products – economic activities of advertising and market research on the Slovak market of business services compared with the situation in Europe – and identify similarities and differences of the development of these two markets within the presented division, within the context of the crisis period. We come to the conclusion that the chosen division reaches a positive conjuncture and confirms the anti-cyclical character of services in the time when other economic sectors fight the continuing recession.

Key words

advertising market, business services, market research, dynamics, M73.

JEL Classification: L84

Introduction

Business Services (Services aux entreprises, Wirtschaftnahe Dienstleistungen) can be defined as a highly frequented category of the market economy theory and practice. The explanation is that it is the most widespread and dynamic market part of the modern economy. Therein, the highest number of new job positions is created. Business Services (BS) function as intermediate inputs providing solutions for the products' quality strengthening, innovation enforcement, capital access simplification and entry on new markets also in other economy sectors and departments (Michalová & Krošláková, 2014). In addition, BSs consist of various groups and classes of economic activities. The most important part of the BS generates economic advertising and market research activities.

1 Methodology

The article purpose is to analyze in detail the development and dynamics of the European and Slovak advertising and market research economic activities' market and to evaluate the competitiveness of the given markets from the performance indicators point of view within the Slovak and European BS market. Consequently, we identify

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similarities and differences of the given markets' development and their cyclic behaviour within the crisis period context. By fulfilling our article purpose, we used various methods.

By processing the initial theoretical-methodological basis, we used the contents analysis method of the secondary knowledge sources found in home and foreign literature. By the performance indicators' dynamics identification of the advertising division and the market research and comparison of the given EU and SR markets, we used the comparison method and quantitative methods inclusive statistical research on the basis of the secondary quantitative data. The main statistical data sources used for this purpose were statistical databases of Eurostat and Statistical Office of the Slovak Republic. For the transparent outputs' presentation of the comparative analysis, we used the graphical presentation method completed by transparent tables. This gained knowledge systematization could help us by creating the complex data basis for the further deduction of the given division competitiveness.

2 Advertising and market research

According to the economic activities statistical classification NACE Rev. 2, advertising and market research are classified within the M section – special, academic and technical activities of the M divisions 73 Advertising and market research. This division can be divided into two groups: advertising (M 73.1) and market research and public opinion (M 73.2).

Table 1 M section – special, academic and technical activities

Division	73 – Advertising and market research
Group	73.1 Advertising
Class	73.1.1 Advertising agencies
	73.1.2 Transmission time negotiation
Group	73.2 Market research and public opinion
Class	73.20 Market research and public opinion

Source: Own processing according to the Eurostat, 2014.

Following the technological and knowledge complexity, we can identify advertising and market research economic activities as the knowledge-demanding. They cover specialized academic and technical activities demanding the higher knowledge level and providing users with specialized knowledge and experience.

Economic activity fulfils the knowledge complexity criterion if more than 33% of the total labour manpower consists of employees with the gained tertiary educational level (Muller & Doloreux, 2007).

Advertising

According to the classification NACE Rev. 2, advertising as economic activity includes following activities: providing of the whole range advertising services, including counselling and consulting, marketing and communication plan preparation, advertising material production, campaign realization, appropriate media selection, media placement and transmission time negotiation and various media area (Infostat, 2008). To understand the advertising market activities as a BS part, firstly, we have to define advertising.

Advertising (Lat. *reclamare*, Fr. *reclame* – scream, sound again, shout strong and frequently) is a business propaganda, communication aimed to influence the cross-trade of products and services satisfying the producer, provider and consumer needs. It is a necessary part of the market mechanism; it helps to exchange utility values, informs and builds company image and goodwill. Nowadays, it is understood also as a part of marketing communication, i.e. primary paid information trying to sell products and services. What is more, it tries to acquire certain ideas through the press, broadcasting, television and billboards (Horňák, 2003).

According to authors Bové and Arens (1994), advertising is impersonal information communicating, it is usually paid and basically persuasive, it concerns about some product (goods or services) or ideas which are identified by sponsors through various media.

Advertising is a controlled communication process with impersonal character. It tries to inform about certain products, services, ideas, institutions, information objectives through the mass-communication media. At the same time, it tries to influence products' sale or acceptance. Advertising uses so called advertising media with the mass-communication character, e.g. press, broadcasting, television, cinema, sticking areas, various expositions or sale support in point-of-sale, videotext etc. (Šíbl et al., 2002; Berger, 2001).

Following Kotler and Armstrong (2010), advertising can be defined as each and every paid form of impersonal presentation and support of ideas, products or services which is performed by an identifiable sponsor.

From above mentioned, we can state that advertising is a paid form of impersonal presentation and support of products' ideas or services which is paid by the advertising sponsor. Moreover, advertising serves either the purpose of the mark reinforcement or as the means for sponsor products' and services demand increase. Advertising services provider, mostly advertising agency, has to propose and create such advertising and customize the whole campaign so that it awakes the sale interest of goods and services, which are advertised, by the target customers' group majority.

Advertising campaign is the main means and the summary of advertising agency and media representatives' activities and the key parameter of the sponsor intention application. In addition, it presents the centred influence of various means in certain time and place.

The main advertising and advertising campaign target is to address as many potential recipients as possible through all the available media to awake the interest concluding into the sale reaction, i.e. the advertising campaign target is to awake customer interest in products or services concluding into the sale decision. Partial targets interlock the main target. Their task is to inform about some products or services in interaction with some concrete mark, eventually to build a mark and the mark loyalty, to differentiate the same or similar products on the market, or increase their value within the customer

consciousness. However, last but not least, advertising influences also the education and the consumers' society. Accurately prepared and timed advertising can influence the creation of needs and their change, i.e. demand change. Though, it influences also customers' interests, habits and traditions.

Following various attributes, we can differentiate basic advertising types, e.g. on the basis of the information innovation (introducing or reminding advertising), campaign character (product or image), communication media (television, broadcasting etc.), subject (products, services or non-commercial sphere), target group (for fishermen, women etc.), activity place (in or out of the sale place), activity locality (regional, central, with direction to abroad or inside the state etc.), recipient contact type (direct – direct marketing, goods presentation; or indirect – press, broadcasting, television) etc. (Horňák, 2003).

2.1 Market research and public opinion

According to the classification NACE Rev. 2, this class contains the market potential acquisition, know-how level, and acceptance of the familiarization with goods and services, consumers' shopping habits in order to promote the sale and development of new goods and services, including statistical results' analysis, and general public opinion identification about political, economic and social issues and their statistical analysis (Infostat, 2008).

Benett (1995) defines market research as a systematic data collection, recording and analysis having regard to the certain market. Thereby, market is a specific virtual customers' group placed in some specific geographical area.

Armstrong and Kotler (2010) define marketing research as a function which, through the information, connects consumers, customers and public with marketers. Concerned the information, they are used for the specification and definition of marketing opportunities and issues, for creation, improvement and evaluation of marketing actions, for marketing services' monitoring and for superior marketing process knowledge. Marketing research specifies information necessary for the marketing issues' specification. Moreover, it proposes information collection methods, manages and realizes the data collection process, analyzes results and mediates knowledge.

As a result, the difference between the above mentioned definitions comes from the different point of view. Marketing research contains not only the market research, but also the research of some concrete goods and services.

Taking into account the aspects' research length and the market relations, we differentiate between the market research and market survey. To begin with the market research, it is a long-term, systematic research and evaluation of the market phenomena, and factors which influence such a market. Owing to the quantitative market analysis realization, research results and outputs are very precise. On the contrary, market survey is realized in the short-term horizon, marginally because of the short-term forecasting of the market situation. Thereby, conclusions are less precise. The reason is that it deals with not such a systematic analysis as by the market research.

Furthermore, we can divide the market research according to the used information source into the secondary (source data come from the already determined existing data

processed for the other purpose) or primary (information gained through the own research, aimed and realized by one of the basic market research methods).

Generally, public opinion can be understood as a dynamic process of the opinions and evaluation summary. These opinions are expressed by the public members handling certain issues and topics which are expressed by them publicly towards the other people. However, these opinions can be completely different from their own personal opinion or commonly accepted opinion within the certain social group.

2.2 Dynamics of the advertising market development and the market research in the EU and Slovakia

From the point of view of its size and for the evidence needs, the profile of the *European advertising and market research market* can be identified by markers, such as a number of businesses providing their activities within this division, revenue development, added value, and work and employment productivity. Advertising and market research sub-sectors within one market can actually be characterized by such a dynamics.

Table 2 Dynamics of the chosen markers within the division M 73 Advertising and market research in the EU 27 in 2008-2011 and the annual growth rate

	2008	2009	Change in %	2010	Change in %	2011	Change in %
Businesses number (in thousands EUR)	252,6	253,3	+ 0,27 ↑	267,9	+5,77 ↑	269,8	+ 0,71 ↑
Revenue (in millions EUR)	176 295	147 793	-16,17 ↓	158 091	+ 6,97 ↑	159 514	+ 0,90 ↑
Value added (in millions EUR)	53 396	43 876	-17,82 ↓	46 388	+ 5,72 ↑	49 950	+7,68 ↑
Unemployed people' rate (in thousands)	1 019	953	- 6,44 ↓	1 143	+ 19,98 ↑	1 108	-3,13 ↓
Work productivity (in thousands EUR)	45,0	39,0	-13,3 ↓	40,6	+ 4,0 ↑	44,8	+ 10,4 ↑

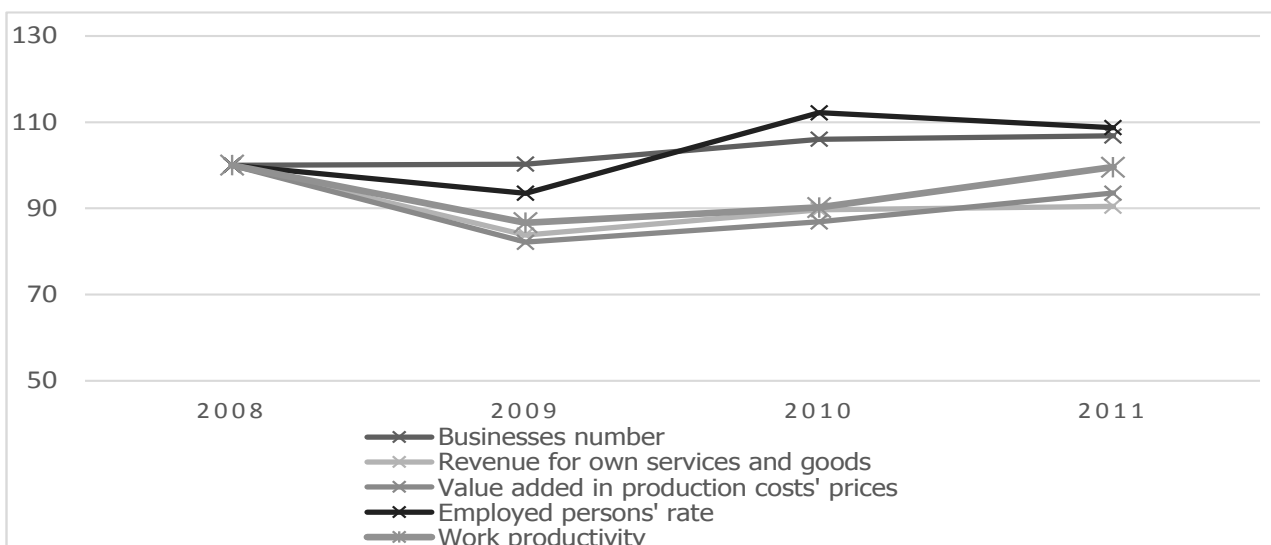
Source: Own processing according to the Eurostat, 2014.

Following the statistical data presented in the Eurostat (2014), in 2011, there performed their activities in the member countries within the M 73 division more than a quarter million of businesses with the total revenue of 159 billion EUR. Thereby, the most dominating were the micro and small businesses (94.71%). In 2010, both these sections showed the annual growth rate of more than 6%, consequently in 2011 more than 1%. In 2011, the added value for EU 27 within this division reached the value around 50 billion EUR, i.e. circa 1% of the whole non-financial economy sector shared value (excluded are financial and insurance activities) and around 8.5% from the total share within the M section – special, academic and technical activities.

In 2011, businesses within this division employed 1.108 million people. What is more, this division generated around 10% of the employment share within the section M – special, academic and technical activities, and circa 1% employment share and added value of the non-financial EU sector. Moreover, higher added value rate for one employee (44.8 thousand EUR) reflects also the higher financial employees' performance evaluation. This is characteristic for the services sub-sector with the domination of the knowledge-demanding services production requesting also the higher-level education (tertiary).

To prove the dynamics increase and the anti-cyclical character (increasing performance markers values' declaration also during the crisis) of the chosen division, we applied by the data processing for the graphical presentation needs the base index with the initial year 2008.

Graph 1 Dynamics increase of the chosen markers within the division M 73 Advertising and market research in 2008-2011 (2008 = 100) in EU

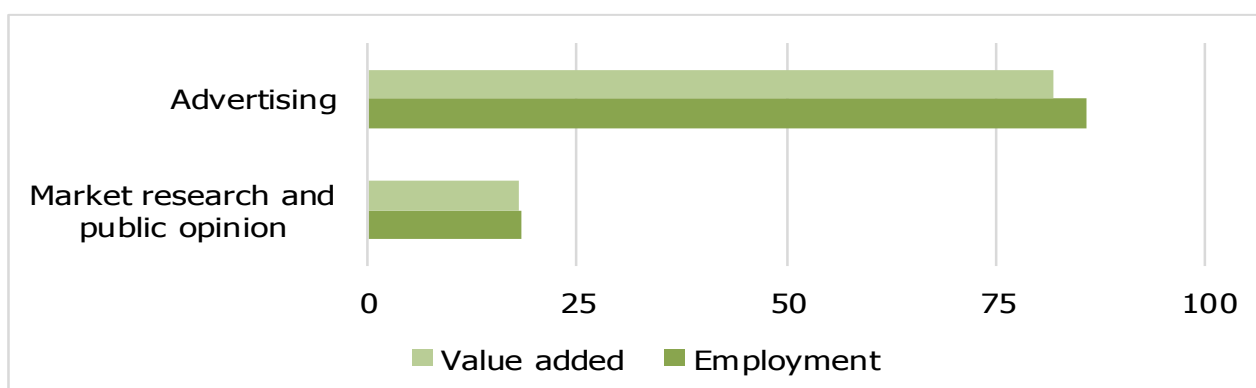


Source: Own processing according to the Eurostat, 2014.

In comparison to 2008, data processed in the graph 1 present that all the observed performance markers of the chosen division grow continually.

In 2011, the key group of the M 73 division consisted of the advertising economic activities. This group generated around 4/5 of the added value and employment of the European advertising and market research market.

Graph 2 Added value and employment share within the division M 73 Advertising and market research in EU 27 in 2011



Source: Eurostat, 2014.

To prove the important position of the advertising and market research economic activities within the business services and the M division *within the Slovak economy* objectively, we chose such markers which express and reflect the participation of the given activities on the employment, number of businesses, production, work productivity and added value in relation to other BS components. To document the annual growth and dynamics rate within this division, we used the chain index. Actually, this division can be characterized by these marks and characteristics.

Table 3 Chosen markers' development in Slovakia within the division M 73 Advertising and market research in 2008-2011 and the annual growth rate

	2008	2009	Change in %		2010	Change in %		2011	Change in %	
Businesses number	1 929	2 006	+ 3,99	↑	5 904	+ 194,32	↑	6 015	+ 1,88	↑
Revenue (in thousands EUR)	690 280	766 342	+ 11	↑	1055 435	+ 37,72	↑	1 021 720	- 3,19	↓
Value added (in thousands EUR)	187 600	182 699	- 2,61	↓	312 709	+ 71,16	↑	223 581	- 28,50	↓
Employed people' rate	8 084	7 945	- 1,72	↓	12 923	+ 62,66	↑	13 792	+ 6,72	↑
Work productivity (in thousands EUR)	23,2	23	-0,9	↓	24,2	+ 5,2	↑	16,2	-33,1	↓

Source: Own processing according to the Statistical Office of the Slovak Republic, 2013.

One of the main markers reflecting the position of the advertising and market research economic activities in Slovakia is the number of businesses. Within the M 73 division in Slovakia, we can register the businesses' number increase. However, this increase was not influenced by the crisis which fully affected the economy in 2008 and 2009. Moreover, in 2010, businesses actually noticed the 194% increase. This could

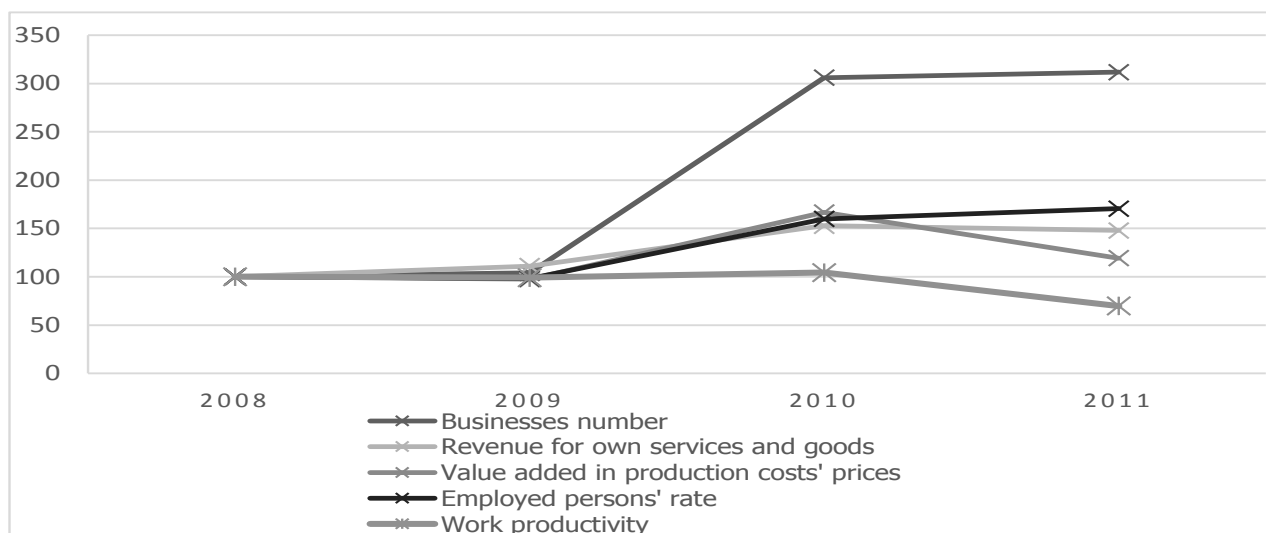
reflect the advertising demand growth provided to businesses by advertising agencies in order to try to support the crisis-weakened demand for goods and services.

Regarding the businesses' number, for this market is specific the existence and competitiveness of a big number of micro and small firms which form around 97% of all the businesses and they are characterized by the most extensive localization concentration around the biggest cities (Statistical Office of the Slovak Republic, 2013). In 2010, this division's high dynamics increase reflects also more than 70% of the annual added value growth which reached 312 million EUR. Revenue development met also the employment development within this division. In 2011, however, this division was not successful in the keeping of the high growth rate of the previous year in neither of the given markers.

In 2008-2010, it did not come to the decrease within the value markers' dynamics of the advertising and market research. In 2011, soft turbulences in chosen markers (revenue, AV a WP) could be caused also by the unreasonable high increase from the previous year. Consequently, the division could not upkeep the growth rate also in the next year.

Production study of the chosen markets in 2008-2011 shows the dynamic growth within the majority of the studied aspects of this sort and it is evidence about the dynamic increase of the chosen division also during the crisis in 2008-2009. Consequently, it grows also in 2010-2011 as documented in the following graph processed using the base index.

Graph 3 Chosen markers' increase development within the division M 73 Advertising and market research in 2008-2011 (2008 = 100) in Slovakia



Source: Own processing according to the Statistical Office of the Slovak Republic, 2013.

The graph describes the conjunctural growth and anti-cyclical character of this division's activities.

Slovakia, generating more than 1% of the added value within the non-financial sector of its country, reached in 2010 the highest specialization level especially within the division Advertising and market research (Eurostat, 2013). In 2011, this sector share reached 4% of the added value and created 5.8% of the BS employment market. Moreover, in 2011, the average added value for one employee reached the value of 16.2 thousand EUR

and experienced the 1/3 decrease in comparison to the year 2010. Chosen market share relation to the creation of the added value, employment, revenue and businesses' number within the BS market and section M – special, academic and technical activities are presented in the further table.

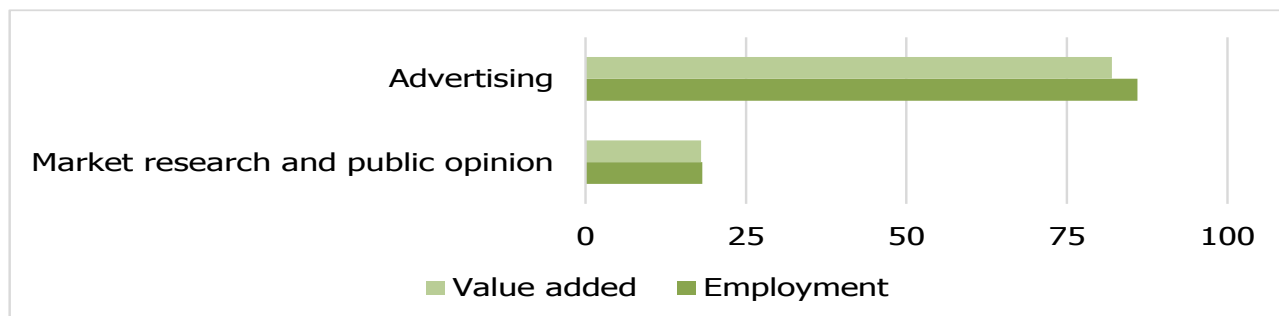
Table 4 Share relation of the BS chosen markers of the advertising and market research market and in the M division in the SR in 2011

	BS (J62, 63, L, M, N)	M-section	Division M 73	Value of M73 in BS in %	Value of M73 in M-section in %
Businesses number	82 930	52 485	6 015	7,2	11,4
Revenue for own services and goods (in thousands EUR)	11 903 425	5 037 108	1 021 720	8,5	20,2
Value added in production costs' prices (in thousands EUR)	5 506 987	2 198 460	223 581	4	10,1
Employed people' rate	234 637	103 810	13 792	5,8	13,2

Source: Own processing according to the Statistical Office of the Slovak Republic, 2013.

From the point of view of the sector analysis of the given division, at present, advertising activities dominate and the advertising economic activities' share relation creates round 4/5 of the total added value and employment generated by this sector.

Graph 4 Sector analysis of the division M 73 Advertising and market research in the SR in 2011 in %



Source: Own processing according to the Statistical Office of the Slovak Republic, 2013.

Conclusion

European advertising and market research market shows continuous growth. This division, as the only one of the business services, was not even influenced by the economic crisis start in 2008 and 2009. Moreover, it is one of the most expansive and dynamic divisions of the market components within the modern economy which generates the continuous increase of new jobs and it also shows the continuous increase of new businesses.

Advertising and market research Slovak market is specific for its high dynamics of the businesses' number increase. In 2008-2011, economy was influenced by the crisis. Consequently, exactly this BS sub-sector presented the growth within all the studied markers. Moreover, Slovakia, generating more than 1% of the added value within the non-financial sector of its land, reached in 2011 the highest specialization level within the frame of the EU countries, especially within the division Advertising and market research.

Slovak advertising and market research market development reflects the European advertising and market research market development and copies the EU tendencies within the frame of majority of the compared markers. All studied areas (businesses' number, revenues, added value, work productivity and employed people' number) in the EU and in Slovakia either generates annual increase or indicates only very little stagnation or decrease because they cannot reach the marginal increase from the previous year (see tab. 2 and 3) during the period when the other goods and services notice the considerable decrease. Positive conjuncture of this division is documented in graphs 1 and 3.

However, the only one studied area where Slovakia cannot reach the EU average so far is the work productivity measured on the macro-level whereby the generated added value average for one employee in the EU within the studied sector is 44.8 thousand EUR. In Slovakia, this value is only around 16.2 thousand EUR, i.e. only 1/3 of the generated work productivity average in the EU member countries. In addition, it relates also with the lower total generated added value average and with the lower average level of wages within the Slovak economy. However, the Slovak work productivity within the studied division does not reach the EU average value. But the Slovak reached work productivity within this division is much higher than the average in the whole non-financial sector in Slovakia. Higher work productivity and employees' evaluation are specific especially by the knowledge-demanding services, mainly advertising and market research services.

From the results, it is clear that the chosen division reaches a positive conjuncture and confirms the anti-cyclical services' character in time when other economy sectors fight the continuing recession. According to this aspect, we may claim that the given division presents the potential source of the employment and business opportunities. What is more, it can be considered to be one of the decisive competitiveness elements of businesses within the crisis period. At the same time, the dynamics of all the studied values of the development markers of the chosen division shows that these economic activities support directly the economy growth by the new jobs and production creation not only in Slovakia but also within the frame of the whole Europe.

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Tourism in Knowledge Economy and Innovation¹

Viera Kubičková²

Abstract

Tourism is a multi-faceted set of activities, which are not carried out in a decisive extent on the basis of highly qualified inputs, expert knowledge and progressive technologies. The development of the knowledge economy and the economy, however, affects all spheres of life of society. Characteristics of the demand are changing; a competitive supply is able to respond. The pre-requisite is the ability to identify and absorb new knowledge and their transformation into efficient solutions – innovations. Innovations play a significant role in processes of increasing competitiveness and economic growth of producers of tourism services. The paper deals with relevant reasons for putting through the principles of the knowledge economy in tourism and identifies the innovation activities of tourism enterprises in the Slovak Republic by means of presenting results of primary research. The aim of the paper is to find out if the innovation activities of tourism entities support the competitiveness of these entities.

Key words

tourism, knowledge economy, knowledge, innovation

JEL Classification: O32, L83, M10

Introduction

The principal starting-point in reflections about the creation and enforcement of innovations in economic activities is the acceptance of their inevitability under conditions of contemporary competitive market forces. These are absolutely influenced by a dominant position of knowledge in value economic processes. The creation and their utilisation of the knowledge are principal features of the knowledge economy.

Despite the fact that the services of tourism are identified as the services of a low rate of knowledge utilisation in the course of their production, modern knowledge affect the entire value chain of tourism. According to Scott et al. (2008) the economy based on knowledge is not simply the preserve in hi-tech industries, and in fact, represents the use of knowledge to benefit all sectors of the economy, including tourism.

1 Methodology

The paper deals with the problems of identifying the reasons for putting through knowledge in tourism. Their acceptance creates the platform for arguments about the need for implementing innovations in tourism environment.

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The paper analyses parameters of tourism competitiveness, presents weaknesses of tourism in the Slovak Republic and evaluates the scope of operation of enterprises innovation activities.

The paper draws on the systemisation of knowledge about the knowledge economy in tourism. The application part of the paper deals with the assessment of the scope of operation of innovation activities of enterprises in the SR with regard to the weaknesses identified in this industry. Weak points in the competitiveness of tourism in the SR are determined on the basis of analysis of results of the survey carried out by the World Economic Forum. The character and intensity of innovation activity of tourism enterprises in the SR were evaluated in the period before the crisis started in the Slovak economy (year 2009). The research sample consisted of tourism enterprises.

The aim of the paper is to find out if the innovation activities of tourism entities support the competitiveness of these entities.

2 Results and Discussion

Services of tourism are in their nature less knowledge intensive services. Their production is largely secured by the performance of staff with low degree of qualifications. They are not in a decisive extent based on the use of specific knowledge or expert knowledge in the given area. Tourism is not a significant generator of new universally applicable knowledge. New findings arise here on a random basis and can be utilised in a limited scope. Producers of tourism services tend to be users of progressive solutions, who implement innovations predominantly coming from the external environment. Socio-economic changes, however, exert pressure on acquiring, assimilation, and transformation, and utilisation of knowledge in tourism.

Halkier (2010) ascribes a multifaceted nature to tourism product, which places increased demands on knowledge processes in the spheres of individual as well as organised tourism.

Authors Cooper a Hall (2008) write that the knowledge economy requires the application of new approaches in tourism. These are affected by the following phenomena:

1. Structural economic changes leading to new products development, innovation, technologies, and knowledge sharing;
2. Employment and highly-qualified labour force, which is competitive advantage in long-term economic growth;
3. The knowledge economy is characteristic of a great amount and concentration of information and knowledge;
4. Creation of new paradigm of knowledge commerce (k-commerce), within which classical measures of tourism competitiveness, e.g. localisation, are less important.

The process of knowledge utilisation in tourism is determined by available capacities, with which producers of relevant services have at their disposal. Several authors deal with the identification of capacities needed (Hoarau, 2014, Gebauer et al., 2012, Camison & Fores, 2010). A determining factor of tourism services quality is the human factor. It is a capacity that creates new knowledge, finds their new application and acquires skills for their implementation. The performance of an employee of tourism enterprise may be said to be determined by their participation in processes of lifelong education and the ability to

make use of new solutions in value production chain. Researches confirm that investments in intellectual capital have the strongest influence on hotel profitability (Enz et al., 2006). Human capital knowledge, skills and experience constitute its components. A personal character of services of tourism is determined by frequent contacts between employees/workers with clients. These services are specific of a relatively strong pressure and a qualified work performance.

Reasons for Putting through Knowledge in Tourism

1. Intermediary Demand

Global parameters of the world economy and growth of power of transnational corporations make travelling within business tourism even more intensive. The nature of consumption of tourism services is both final and intermediary function, as the importance of incentive tourism as well as business tourism is rising. The quality of tourism products and effectiveness of their production thus can affect to a significant extent also production parameters of the buyer of these services, because in this way these service acquire the character of intermediary input. For instance, organisation of employee participation in a conference abroad (price, time, quality), employee training/education during the business trip, and usefulness of the skills acquired, firms' participation in fairs, and the like.

2. Final Demand

If we admit that tourism services satisfy to a larger extent an individual's demand, importance of knowledge in tourism reflects the changes in society to which the individual belongs. Societal status of the individual, demographical changes, skills and sophistication of an individual – client exert pressure on the production of tourism services based on the research and implementation of its outputs in practice. The learning about customer needs and adjustment of the enterprise's innovation strategy to that is essential for favourable economic performance of enterprises. Grissemann et al. (2013) comment on this "customer orientation directly affects financial performance, customer retention and reputation." Their study also demonstrates that strategies – focusing on customer needs – significantly and positively influence hotels' innovation behaviour and innovativeness.

3. Networking Organisation

Tourism in Europe develops in the area of destination development. In this connection, it is beneficial to realise the starting-points of regional approach to the knowledge economy characteristic features.

The knowledge economy has a relevant regional framework and in this direction, numerous theoretical conceptions have been developed (Cooke et al., 2010). These conceptions emphasise in particular spatial links between actors and activities, on which the knowledge economy is based. Unless the national economic strategy is linked to this regional dimension/fact, a lot of effects disappear and that can also pose a threat to many programmes and intentions (Buček, 2013).

In the sense of networking organisation of contemporary economy, which is based in the first place on trends for close specialisation, it is also necessary to highlight the role of the enterprise's ability to implement and use new knowledge. This reflection is based on the fact that tourism is multi-branch and the final product quality depends on concerted actions of many supplier-buyer relations and cooperation. Partners under conditions of value creation for tourism must be prepared for the adjustment of numerous new findings and their utilisation, so that the efficiency of progressive solution in the network was not

disturbed. Effects of efficient cooperation are visible in local territorial groupings – tourism (Micháľková, 2010). The level of networking significantly determines the use of innovating potential in tourism. The PROSPER Model evaluates social and professional relationships between tourism attractions and amenities and nontourism amenities and resources as critical in the delivery of tourism product (Carson et al., 2005). The key role is thus played by organisational innovations, which optimise relationships in the network.

4. Pressure on Decreasing Costs

Not only communication but also turbulent phenomena in the economy and society emphasise the need for implementation of knowledge and new solutions for the purposes of decreasing costs and distributing tourism products. Process innovations represented by applying ICT in tourism, offer possibilities of increasing the production economic effectiveness. In tourism these effects are evident also in the process of product distribution, when the client via their entry in the distribution chain decreases transaction costs to a minimum.

5. Hypercompetition

Hypercompetition is described as the market situation, when technologies or offerings of products are still new but needs, standards and rules are constantly changing. Condition generates competitive advantages, which are however unsustainable. The speed of revolutionary turbulence created by hypercompetition is driven by globalisation, more attractive substitute products, various customer tastes, deregulation, and developing new business models.

Competitive advantages can no longer be maintained in the long-term. The way that is winning these days is to show that competitive advantages of current leaders are outdated (Kotler & Caslione, 2009).

Despite the above-mentioned and just because of that knowledge has become a decisive factor of economic growth and effectiveness. Knowledge is provably an important part of total productivity factor (TPF), which includes all the components determining the performance, excluding the factors of labour and capital. Knowledge is present here in the form of innovations, managerial procedures, and the like. Their real benefits to increasing the quality of productivity of labour was an object of research carried out by NESTA company, which recorded that the share of TFP factor on the total average productivity of labour achieved in Great Britain rose from 33% in the year 1996 to 47% in the year 2007 (NESTA, 2009).

Tourism is nowadays denoted as an extremely competitive environment, where innovativeness is considered to be a survival condition (Sundbo et al., 2007). It is not only the question of decreasing costs by means of innovations, but also the inevitability to achieve high quality. Central Europe is a tourism region, which can gain comparative advantage in particular through developing a new joint product. That requires a sequence of technological and non-technological innovations. On the local level, business success of a tourism enterprise is dependent on the implementation of targeted innovations, which are identified by production characteristics of competitors and customer expectations.

According to the World Travel & Tourism Council, the Travel & Tourism (T&T) sector currently accounts for 9 percent of GDP — a total of US\$6 trillion. It generates 120 million of direct jobs and another 125 million indirect jobs — that comes to one in eleven jobs on the planet. With Travel & Tourism being a key sector for many emerging and developed economies, understanding at a political level how to eliminate its structural barriers is

essential. Competitiveness in the global manufacturing sector is a crucial issue for aerospace manufacturers because of the increased complexity of issues arising from managing global value chains (World Economic Forum, 2013).

6. Demographic and Climatic Changes

Demographic changes in societal systems result in changes in demand for tourism services. Central Europe is ahead of the period of aging population. It is important that producers but also comprehensive innovation systems in the economy were set up for these changes. The ability to efficiently respond to these changes is a determining factor of economic success of an enterprise as well as of networking groupings in tourism.

Changes in climatic conditions on the Earth place restrictions to prospective development of tourism in regions with traditional designation. On the other hand, paradoxically, they make new territories accessible for tourism. Territory of Central Europe records shorter and more intensive winters and summers, bigger weather fluctuations, extremes, as e.g. destructive floods, hurricanes, and draught. Likewise innovations aimed at prolongation of tourist seasons, introducing alternative products with a larger territorial impact are a challenge.

7. Putting through Principles of Social Responsibility in Business

In accordance with the efforts for sustainable development of tourism and its constituting components principles of social responsibility are put through in doing business with in tourism services. It means the implementation of aims, which are oriented to positive benefits in the area of the quality of life in society, culture and the environment. According to authors Crouch and Ritchie (1997) tourism can become an important engine for achieving broader social goals. The authors examine the link between societal prosperity and tourism using a competitiveness framework. Tourism enables the development and economic growth in rural regions. This brings positive consequences to the quality of life of a local community through a multi-faceted effect of tourism. In the area of environmental an idea of ensuring "a zero environmental consequence" in the long-term has been put through. This aim is to be reached by securing eco-production in the area of aviation transport and hotel services.

The industry has done much to demonstrate its commitment to a low-carbon economy through the active demonstration of alternative, optimized operations such as retrofitting, recycling, and preserving rainforests and reforestations, but more needs to be done to integrate people into the process. The industry has done a fantastic job in talking to itself. But the public — customers and passengers — still perceives the industry as being a heavy polluter. Integrating passengers and customers as stakeholders in working groups to address this issue should become best practice for the future. If the public understands what they stand to benefit by reducing the environmental impact of Travel & Tourism, political barriers will be easier to remove (World Economic Forum, 2013).

Cultural heritage and its value is a significant requirement for the development of tourism. Its protection is therefore not only an ethical but also a social challenge as well as an economic condition for the sustainable development of business entities in tourism.

Applying the principles of socially responsible business necessitates sophisticated knowledge of natural and technical sciences, their transformation into practical solutions and their implementation into real-life operation in tourism.

8. New Technologies and their Life-Cycle

Favourable application effects of ICT on competitiveness of tourism are described in the works of many authors (Evans & Peacock, 1999, Sigala et al., 2000, Henriksson, 2005,

Buhalis & Licata, 2002, Benešová, 2008). The implementation of progressive solutions in the area of ICT is an inevitable condition for doing business successfully in tourism. Distribution channels are getting shorter in favour of the client, producers have at their disposal relevant data and knowledge about their clients, which guarantee their optimum orientation. This way technological innovation brings cost savings.

Tourism comes in various forms; these necessitate the implementation of desired technology, whose effects are significant for the final client utility value. Let us mention for instance, medical tourism, wellness, spa tourism, various types of extreme sports, and space tourism.

In the end, it has to be stated that tourism is linked to a particular environment. This environment has various characteristics and is vulnerable in the sense of safety. It is especially technologies for the protection of lives and health of people that are becoming relevant, or the technologies for property protection against possible terrorist attacks, natural elements and epidemics. The dependency of tourism of modern technologies' implementation is thus obvious.

2.1 Competitiveness of Tourism in the Slovak Republic

Tourist Satellite Account (TSA) compares expenses of tourists in individual countries. It is an indicator which generates multiplication effects in tourism on the entire national economy. Tourist expenses may be considered as an indicator of importance of the tourism industry for the country. The total volume of tourist expenses depends on the ability of services to provide quality and comprehensive offer. TSA (Eurostat, 2013) announces that tourists in the Slovak Republic spent the total of EUR 1,637 mil. in a year, which is the least of the Central European countries monitored (PL–EUR 6,915 mil.; CZ–EUR 4,665 mil.; AT–EUR 15,748 mil.). So tourist expenses can be connected with competitiveness of tourism in a country. Parameters of competitiveness assessed favourably are the evidence the environment ready for the production of commercially successful products of tourism. Tables 1 and 2 contain data of the evaluation of tourism competitiveness in Central European countries, as well as the evaluation of environment in the Slovak Republic. The Slovak Republic is identified as an environment with the weakest conditions for a competitive development of tourism.

Tab. 1 The Travel & Tourism Competitiveness Index 2013 and 2011 comparison, Country of Central Europe

Country/Economy	2013		2011	Subindexes 2013		
	Rank/140	Score	Rank/139	T&T regulatory framework	Business environment and infrastructure	T&T resources
Austria	3	5,39	4	2	11	9
Czech Republic	31	4,78	31	28	37	28
Hungary	39	4,51	38	26	49	54
Poland	42	4,47	49	49	58	32
Slovakia	54	4,32	54	43	60	55

Source: The Travel & Tourism Competitiveness Report 2013, 2013, p. 17, 18

Tab. 2 The Travel & Tourism Competitiveness Index 2013, subindex results, Slovakia

Subindexes	Slovakia	
	Rank	Score
Policy rules and regulations	45	4,7
Environmental sustainability	39	5,0
Safety and security	54	5,0
Health and hygiene	12	6,4
Prioritisation of Travel & Tourism	107	3,7
Air transport infrastructure	123	2,2
Ground transport infrastructure	48	4,2
Tourism infrastructure	39	4,9
ICT infrastructure	44	3,9
Price competitiveness in the T&T industry	81	4,4
Human resources	52	5,0
Education and training	61	4,8
Availability of qualified labour	96	4,4
Natural resources	51	4,0
Cultural resources	54	2,9

Source: The Travel & Tourism Competitiveness Report 2013, 2013, p. 314.

According to results of comparative system of assessing tourism competitiveness in the monitored 140 countries in the world it is possible to identify areas that present weak points of tourism in the Slovak Republic, and which should become objects of changes of either technological or nontechnological character. They are in the first place:

- Aviation transport infrastructure
- Qualified labour force, education and training of human resources
- Prioritisation of Travel & Tourism
- Pricing policy

Several of the innovations needed must be introduced on the macroeconomic and political levels of managing tourism in the Slovak Republic. This level affects education of professionals for tourism, investment in transport infrastructure as well as the position of the tourism industry within economic and political priorities of the economy.

Corporate level ensures the optimisation of production of tourism services in terms of their effectiveness and quality. An enterprise is part of networking links which offer comparative advantages, its operation in a destination and by its participation in local community activities it influences the acceptance and positive perception of tourism activities by residents. Enterprise innovations operate in employee lifelong education, which favourably influences the product quality. Tourism enterprise introduces technological innovations, which decrease costs per production unit, creating this way room for price optimisation. Organization innovations generate comparative advantages ensuing from the networking community of enterprises and target-oriented marketing activities. This way innovations influence cost cutting in production and distribution and the right placement of products on the market.

2.2 Innovation Activity of Tourism Enterprises in the Slovak Republic

Authors Hall and Williams (2008) offer the explanation of relationship between competition and innovation to the theory of innovations in tourism. An enterprise that enters the market has high costs derived in the first place from input costs, but it has also high yields. Under the influence of a rising competition pressure its yield is falling. There are three possibilities of further development of its existence. Using the innovation that differentiates the enterprise from other competitors can bring increase in yields; on condition the increment innovation is used. Another possibility is coping with competition by means of a cost reducing innovation. The last possibility is neglect, or a failure of innovation efforts, which brings unsustainable position defined by low yields and high costs, which presages bankruptcy and going out of the market.

Research in innovation activities of tourism enterprises under conditions of the Slovak economy (Kubičková, 2009), completed in the year 2009 at the Department of Services and Tourism, and dealt with its nature and intensity. The aim was to find out if innovation activities of tourism entities are a support element of their competitiveness. The research identified a prevailing client orientation of innovation activities in tourism enterprises. The areas in which significant changes occurred in tourism are mainly services provided, method of production, method of delivery, technologies used, and personnel and marketing.

Critical areas in the evaluation of innovation intensity, according to results of the research, are managerial procedures, corporate culture, organization structure, relations with suppliers, cooperation with other enterprises, cooperation with the public sector, and communication with enterprise environment. Results bear evidence of the fact that organization innovations are not a preferred innovation activity of tourism enterprises in the Slovak Republic.

Tourism enterprises perceive the shortage of funds as the most severe barrier to proper innovation behaviour. Almost 28% of tourism enterprises perceive costs and risk connected with innovation as a highly significant barrier.

Tourism enterprises consider quality and goodwill of an enterprise to be a criterion of high importance in achieving competitiveness. It is remarkable that despite low level of introducing organization innovations, corporate image criterion is strongly perceived by tourism enterprises. In the forefront of importance are staff skills and an individual approach as well as marketing.

Tourism enterprises evaluate standardisation, ICT application, organization and the understanding of changes in utility product features as very weak in terms of their influence in business success. It is an evidence of an inadequate understanding of effects, brought by these modern business phenomena, or of scarce competition pressures, which would stimulate ideas of their application in practice. At the same time, standardisation, ICT application and rational organization are definitely sources of cost saving and reducing faults. Right understanding and product placement are parts of relationship marketing, which is at present the only acceptable form of marketing in a service enterprise.

A higher client satisfaction and their increase are the most frequently recorded outcomes of innovations, which is a logical result in view of the nature of innovation activity.

It is remarkable to observe that tourism enterprises hardly perceive economic effects of introduction of changes. This explains to some extent the fact that more than a half of

enterprises do not implement adequate changes in the method of production of services, method of delivery and technologies, and in products used. Another reason is a low level of cooperation and partnership, which, in the given extent, is unable to bring economic effects. Despite the fact that tourism enterprises are aware of the importance of individual approach to clients, specialisation effect remains underrated.

For 63% of tourism enterprises new needs and requirements of their clients are the main reason for changes.

Research into areas of methods of acquiring new technologies in tourism enterprises in the Slovak Republic shows that the purchase of technologically advanced machinery and equipment is the most frequently used method. Approximately a half of enterprises acquired new technologies via cooperation with partners. Only approximately 15% of enterprises obtained new technologies by means of purchasing a licence. This is probably the consequence of a relatively low level of networking in the environment of tourism entities in the Slovak Republic. The least often used form of acquiring new technologies is cooperation with universities and research institutions and own performance.

Most enterprises envisage their main innovation plans in product improvement in terms of introducing new products and enhancing and improving utility values of existing services.

Innovation of technological processes is a future intention of only 20% enterprises, also changes in employee education and in the quality assurance systems are assessed in the same way. These results can be considered very unsatisfactory, because customer satisfaction surveys indicate lasting shortcomings in processes of service production.

The following can be considered to be critical areas in terms of their future activities: decision-making processes, managerial processes, corporate culture, and cooperation.

Conclusion

Efficiency of this "knowledge – innovation – competitiveness" causal chain under socio-economic conditions of the existence of the knowledge economy and the economy can hardly be questioned. This has been confirmed not only theoretical schools of thought represented by many authors but also by real-life results of these factors' operation in economies. Designing the enterprise innovation system and making it operate is a key assumption of competitiveness also in microeconomic conditions. The paper lists reasons why the present-day tourism is influenced by knowledge. The scope of knowledge and depth of its absorption determines the development of new products, processes, and capacities in tourism. The ability of implementing innovations determines competitiveness of tourism enterprises. A priority in the innovation practice of tourism enterprises in the SR is the client-orientation of their innovation activities. An idle potential of potential partnerships with universities and research capacities, as well as with enterprises, however, restricts their possibilities of generating competitive advantages ensuing from innovations. On the other hand, there is the government sector, which so far has not given preferential treatment to tourism within its economic policy and practice. Therefore, changes in the construction of conditions stimulating the operation of tourism enterprises in the Slovak Republic on the part of the government and regional authorities represent the challenge. Enterprise innovation systems have to strengthen the client-orientation, secure continuous education of employees and introduce organization changes. The networking organization of enterprises creates an optimal environment for knowledge

transfer and implementation of technologies. Therefore, the development of networking constructions is a pre-requisite of a larger penetration of innovations into practice of tourism enterprises in the Slovak Republic.

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Prospects for the Development of Food Policy in Slovakia¹

Alica Lacková²

Abstract

The paper analyses the direction of food policy in Slovakia and give reasons for Europe's common agricultural policy and its development. Strategically important food policy is to ensure a stable food market, maintain, respectively, to improve food security of the country and to address effectively the production of domestic sources of nutrition. The food industry is among one of the important sectors of the Slovak economy in terms of population food supply and nutrition policy. Closely related to agriculture and also the Common Agricultural Policy of the EU. Developments in our domestic market are fully reflected in the foreign trade commodity exchange of Slovak food products. Level of domestic production defines our options in exports. According to statistics, the value of exports under long-term level of imports of food products, and food security can be guaranteed by maintaining balanced relations with trading partners.

Key words

food policy, quality policy, common agricultural policy, traditional and regional foods, food industry

JEL Classification: Q18

Introduction

Strategic goals of food policy are ensuring a stable food market and maintaining, or increasing, the food security of a country and effective addressing of production of domestic foodstuff sources. Food industry and policy associated with it are an important part of national economy. It ensures the processing of agricultural products and manufacturing of food products with required quality and in required amount and assortment. It also contributes to increase the living standard and helps to meet the basic needs of population.

Admission of Slovakia into European Union meant opening of new markets, free movement of persons, services, goods and capital, acceptance of rules, norms and methods of trading foodstuffs in the integrated market. This fact, inter alia, commits to apply ecological methods into all sectors of economy, especially agriculture and food production industry. Slovak market has fully opened for import from abroad and food trade in EU, which is the most regulated sector (Jamborová, 2010)

Both domestic and foreign food markets are going through a change in technological procedures, along with innovations in production and further processing of the products until they reach the customer. It is therefore necessary for the producers to respond to the ever changing needs and requests of the customers.

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The food industry is one of the most important parts of the economy of Slovakia in regard to its standing in supplying food and with nutrition policy of the state taken into account. It is closely related to agriculture and also follows the Common Agricultural Policy of the EU.

Developments in our domestic market fully reflect in the foreign trade commodity exchange of Slovakia with agricultural and food products. The level of domestic production defines our capacity to export. According to statistical data, the value of exported food products is long-term on a lower level than the import of these products.

Competitiveness of the food commodities is essential to ensure a sufficient supply of affordable and quality Slovak food products to meet the domestic demand and ensuring food security of the country (Matošková & Gálik, 2013). For Slovakia, due to its lower production capabilities in comparison with the export-oriented countries of the EU, coupled with the present development on the domestic food market, it is of vital importance to enhance the ability to withstand the onslaught of foreign competitors.

1 Methodology

The goal of this paper is to examine the direction in which the Slovak food policy is heading and to analyse the reasons behind the creation of the Common Agricultural Policy of the EU, as well as its development and, based on the results of the conducted survey, also determining the standing of Slovak food products on our market.

For this purpose, it was necessary to systematically observe and record the characteristics of routing food policy in Slovakia and abroad, to process statistical data and economic data for individual economic results, to familiarise with the elements of food policy and quality policy and to analyse the formation and subsequent development of the Common Agricultural Policy and its impact on Slovakia and the European Union.

The basis for gathering and subsequent use of theoretical knowledge required in order to examine the above mentioned issues was search and follow-up study of literary sources including both domestic and foreign literature in the form of books and articles, which were supplemented by current information found in electronic sources.

The theoretical materials regarding this topic were researched mainly by the analysis method, aside from other complementary scientific methods which were also used. Using this method, all the available theoretical knowledge, gathered from both domestic and foreign sources, was analysed i.e. divided and subsequently examined in detail. The analysis method was also used to process information gathered with the help of electronic questionnaire, which was used for customer survey focused on finding out how different variables affected their shopping behaviour and their interest in Slovak foodstuffs.

Information gathered with the help of the survey was later converted into a form usable for processing and interpretation with both analytical and statistical methods. The results of the survey were evaluated with the help of the Survio.com service. Aside from that, the Microsoft Excel application was also used.

Aside from the polling method, other scientific methods were used to gather the needed information: mainly the methods of analysis, synthesis and comparison, as well as special (quantitative) methods, which were used for the evaluation of the outcome with the help of the statistical methods.

2 Results and Discussion

2.1 Reform of the Common Agricultural Policy of the EU

Common Agricultural Policy is focused on creating policy, which would guarantee correct management of natural resources, development of rural areas and also guarantee of high quality food, which would be a great benefit for the population of EU (Bandlerová et al., 2013).

In June 2013, EU Member States agreed on a compromise for the reform of the common agricultural policy, which has changed the way the agricultural sector is supported in the EU. The reform is aimed at consumers and tax issues, while providing freedom of choice for farmers to produce according to the desires of the market. One time agricultural payment supports market focused and sustainable agriculture. Other direct payments are bound to legislative matters such as environmental protection, foodstuff security, health care and animal welfare.

The main objectives of the Common Agricultural Policy are:

- improving agricultural productivity in order to create sufficient assortment of food for the customers,
- ensuring adequate income for farmers in EU.

These objectives can be further extended with other tasks connected to the fact that the food production worldwide will have to double, if we want to attempt to feed 9 billion of people, which is the estimated population of Earth in the year 2050. The environmental changes also have to be taken into account in order to sustainably manage natural resources and to protect the viability of rural economy and to care for countryside in the Member States of EU.

In March 2014, the European Commission adopted a set of delegated acts in order to reform the Common Agricultural Policy. From January 2015 onwards, the new reform will be fully in effect and agricultural producers will be able to decide what will be produced and how it will be produced, while benefiting from the new Common Agricultural Policy. The new reform will take into account direct payments, market management systems and policy for development of rural areas, as well as funding, management and monitoring of the Common Agricultural Policy. It is also focused on ecology and motivating of young farmers.

Among other things, the new Common Agricultural Policy became part of the strategy aimed at creating and securing intelligent, sustainable and inclusive growth. Its main focus in the years 2014 to 2020, which was set by EU after the Member States reached political agreements, can be divided into three strategic goals: ensuring long-term food security for Europeans and thus to help solve the problems created by the growing worldwide demand for foodstuffs, sustainably producing high quality, diversified food while preserving the natural resources and biodiversity and to retain the viability of rural areas.

Food security can be ensured by maintaining balanced relations with trading partners. Freedom offered to farmers is effective, because it allows them to compete on the world market, which is reflected in the stability of their income. That is also the essence of Common Agricultural Policy (Fojtíková & Lebieczik, 2008).

2.2 Perspectives of further development of food policy

The current state of funding the food industry compared with the situation in the last 10 years shows great variety. Increase in profit has stopped during the year 2007 due to the economic crisis. Despite the fluctuating year on year development, in the last ten years more than 60% of enterprises of the food industry were able to create profit. However, ineffective production was reported, because of the rapid increase of production expenses per production unit, when compared to income. From the above mentioned, it is clear that in the last ten years, the food industry had not had any significant growth and was rather stagnant.

Food industry, when it comes to acquiring investments, is not able to invest finances from its own fund effectively in the long-term, neither is it able to easily gain foreign sources for re-investment.

According to data from Statistical Office of Slovakia, in the year 2012, food industry achieved positive financial result of 195,5 million € before taxation, which is 155 million more than in the previous year (Tab. 1). Domestic demand and production have developed with disparity, which was aided by the import of substitutable products and strong foreign competition.

Tab.1: Development of economic performance and financial results of food industry in years 2010 to 2012 (in million €)

Indicator	2010	2011	2012	Index 2012/2011	Difference 2012-2011
Income	3817,14	4338,02	4613	106,3	275
Expenses	3791,31	4297,52	4418	102,8	120
Result	25,83	40,5	195,5	482,7	155

Source: own processing based on the data provided by Statistical Office of Slovakia

Overall balance created by the foreign trade of Slovakia in year 2013, in amount of 4 283.7 million €, was active (Tab. 2).

Exports of agricultural and food products amounted to 3 262.7 million € and imports amounted to 3 896.1 million €. Therefore, the balance of foreign trade with agricultural and food products reached negative results with - 633.4 million €.

In the year 2013, major trading partners in the foodstuff and agricultural products trade, based on the turnover, were the following countries: Czech Republic, Hungary, Poland, Germany and Austria.

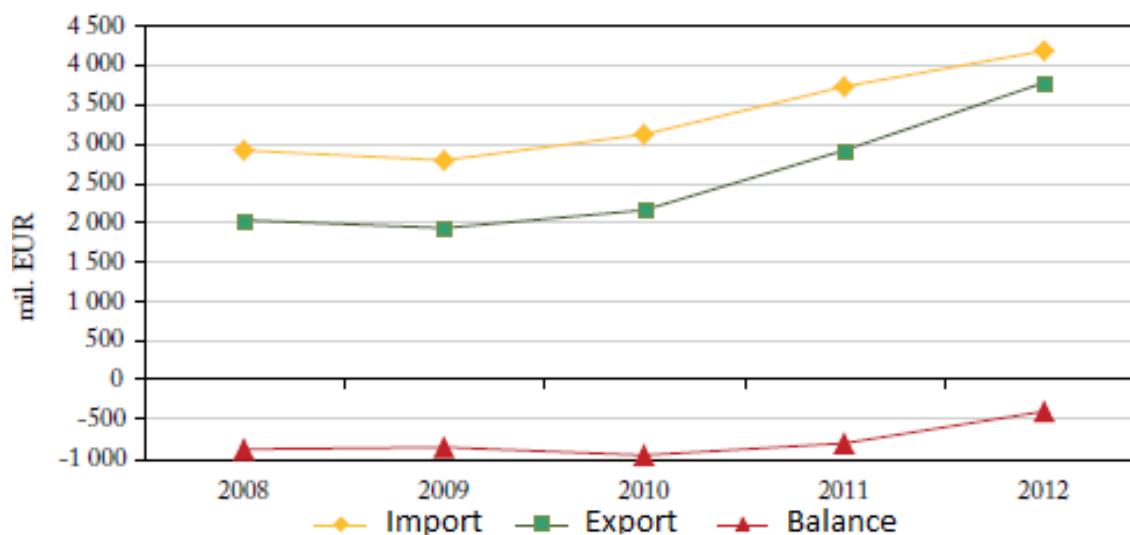
Tab. 2: Development of foreign trade with agricultural and foodstuff products in the year 2013 (in million €)

Year 2013	Import	Export	Balance
Overall foreign trade of Slovakia (million €)	60077,4	64361,1	4283,7
Agricultural and foodstuff products (million €)	3896,1	3262,7	-633,4
Share of agricultural and foodstuff products (%)	6,5	5,1	-

Source: own processing based on data provided by Statistical Office of Slovakia

Performance of agricultural and food foreign trade of Slovakia in the year 2012 reached negative trade balance. This long-term development also continues in the following years as the export predominantly composed of commodities with lower added value (raw materials) compared to the import, which is mostly composed of commodities with higher added value (final food products and semi products).

Graph 1: Performance of agricultural and foodstuff foreign trade of Slovakia



Source: Statistic Office of Slovakia and Research Institute of Economics of Agriculture and Food Industry

Suitable prospects for change in the above mentioned trend of negative trade balance could be created by increasing the performance and efficiency of food industry. Significant impacts on developments in the foreign trade with agricultural and food products in Slovakia are made by the decisions of foreign owners of production investments, which lead to reduction, or even closing, of processing capacity with the result being insufficient

domestic production. This fact creates the need to import, directing towards the negative trade balance of final foodstuff products and semi products with added value.

Within the European Union, in the foreign trade exchange of food products, Slovakia creates positive trade balance. Majority of food products, which is made by small and medium sized enterprises, employ almost 63% of the workforce and creates 49% of the overall turnover of the European food industry.

For the past 20 years, the EU has made substantial effort for opening of its markets. More than two thirds of agricultural goods imported to EU come from third world countries, which is more than is imported by the USA, Canada, New Zealand, Japan and Australia. With many of these countries, low tariffs are applied for trading of the above mentioned products, and the poorest countries can import their goods without tariffs and in unrestricted amount. Europe has high quantities of high quality processed foodstuffs, which is seen as competitive advantage.

2.3 European quality policy

In the European Union is becoming increasingly important food production which is notable for its quality. More and more attention is paid to the protection and promotion of traditional and regional products. Community legislation to protect these products is valid since 1992, i.e. since the reform of the Common Agricultural Policy (Kosiorowska, 2013).

European Union Agricultural policy is gradually turning away from price and market support, which was the first pillar, towards the second pillar, i.e., the rural development policy. Recent developments in the agro-food system are proving a challenge to producers in the less favoured regions of the European Union. The growing concentration of large-scale distribution centres has flooded the market with large and easy-to-handle quantities of homogeneous products. At the same time, consumer demand for differentiated products and willingness to pay a quality premium are heightening the role of geographical indications (Bardají et al., 2009).

In the last decade, the role of origin and its certification through collective labels (EU Quality labelling) in consumers' food purchase decisions have received considerable attention within the economic and marketing literature (Resano et. al., 2012). Van der Lans et al. (2001) found that the geographical origin affects consumer preferences and purchasing decisions indirectly, as a quality cue, and directly, through affective (e.g. the sense of belonging to the region of production), or normative aspects (e.g. as a way to comply with ethical or normative rules through purchasing behaviour).

A quality label that guarantees the true origin of the product may act by itself as a sufficient indicator of quality (Van der Lans et al., 2001; Van Ittersum et al., 2007). The impact of the quality certification label on consumers' preferences may depend on the existence of other attributes that also help to differentiate the product (Resano et. al., 2012).

As well as offering a guarantee of better quality, these quality labels also appeal to certain social values with which some consumers identify. Many studies, among them Glitsch (2000), Henson and Northern (2000), Fearn et al. (2001) include «origin» as one of the attributes to be considered by the consumer.

Traditional and regional products mainly characterized by unique taste and original manufacturing process that is passed from generation to generation. Particular importance

becomes a place of origin and the associated common name, and above all, the quality by which these products are gaining wider group of buyers (Kosiorowska, 2013).

In the last few years, the number of EU Quality labels has risen noticeably, and this trend is expected to continue in the upcoming years. Currently, Protected Geographical Indication – PGI, Protected Designation of Origin - PDO, and Traditional Specialties Guaranteed-TSG labels are mainly concentrated in Southern Mediterranean countries. This fact may be explained by the larger proportion of small firms which produce a more extensive variety of traditional food products than in Northern Europe (Vanhonacker et al., 2010). Ranking after Italy (22%) and France (18%), Spain accounts for approximately 15% of the total number of EU food quality certifications registered. These schemes mainly include fresh meat, meat products, cheese, edible oil and dairy products.

To 30 Jun 2014, Slovak Republic registered 7 products with PGI, 1 product with PDO and 7 products with TSG.

According to the research Supeková et. al. (2008) Slovak consumers perceive positively these kinds of foods but they haven't enough knowledge about the European labels of traditional and regional foods. More than 70% respondents know that EU protects production of original foods by law, but approx. 50% do not know the indication of PGI (Supeková et. al, 2009). Therefore, Slovak consumers should know how to identify Slovak products. It is important to change their opinions and shopping behaviour with the use of appropriate means. This would create the need for realisation of legislative, production, selling and marketing measures.

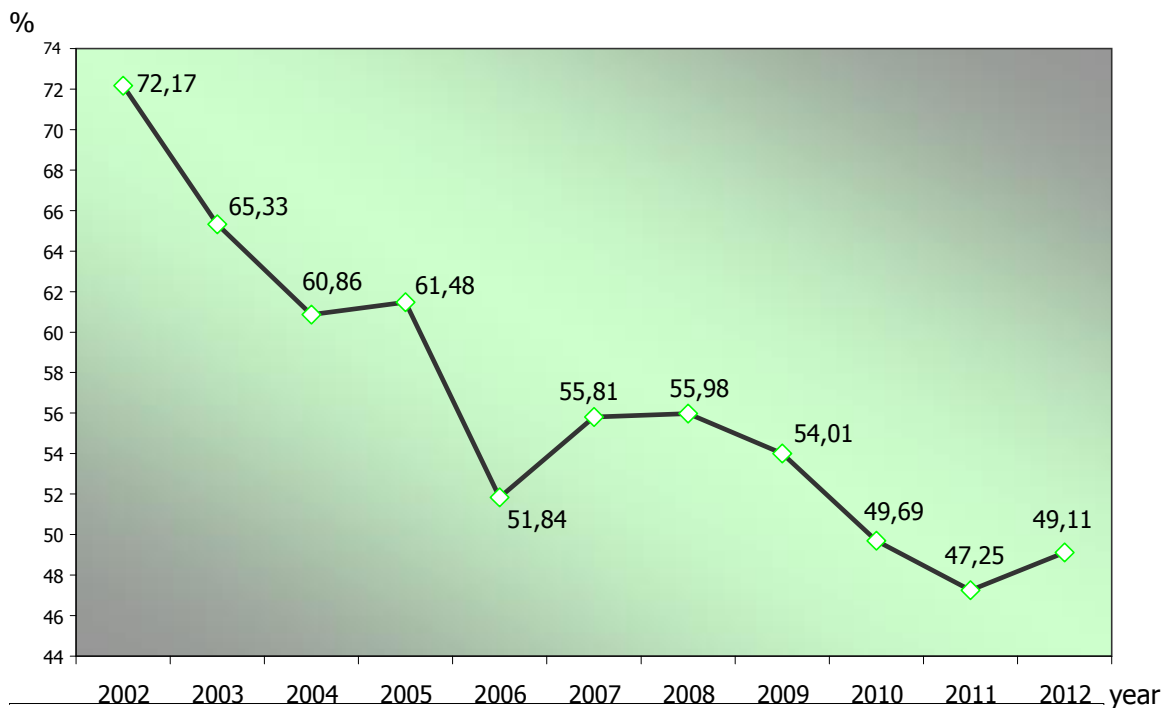
2.4 Standing of Slovak food products on the market

The rate of food self-sufficiency is one of the most important indicators, which is reflected in the overall economy of the state, the political advantages of the country, societal level, hygiene and health benefits as well as national security. Self-sufficiency of Slovakia, in regards to food production, is steadily declining as more and more food is imported from other countries. This results in pushing of the Slovak products off the market and thus destroying the domestic producers and diminishing the production potential of the country. As shown on Graph 2, the share of Slovak food products on the domestic market has declined from 72.17% in year 2002 to 49.11% in year 2012.

Compared with our neighbors, their share of domestic food products on their markets is higher, e.g., in Czech Republic it is 70.24%, in Hungary 67.47% and in Poland 81.87%.

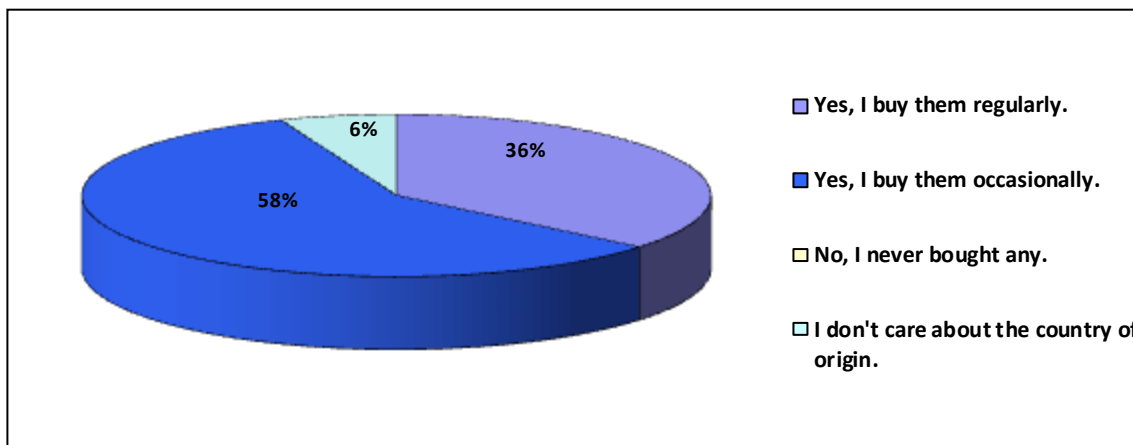
Based on the results of the survey conducted in March 2014 with the help of electronic questionnaire, which was sent to 250 respondents, it was determined, that 36% of them buys Slovak products regularly and seeks them out, 58% buy them only occasionally depending on their quality, price or availability. Only 6% of respondents do not care about the country of origin of the food products they buy. All of the respondents have bought at least some Slovak food products (Graph 3).

Graph 2: Share of Slovak food products on the domestic market (in percentage)



Source: own processing based on the data provided by Ministry of Agriculture and Development of Rural Areas of Slovakia

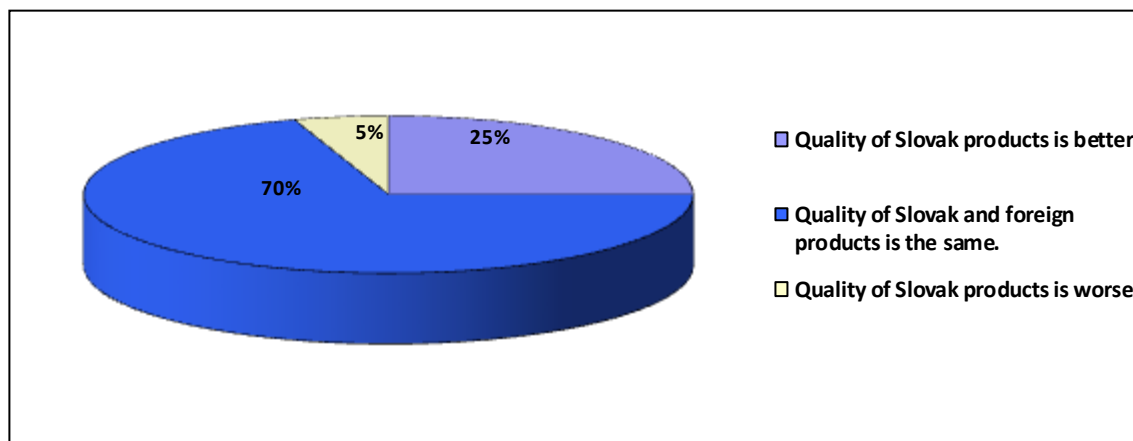
Graph 3: Rate of buying Slovak food products



Source: own processing

When comparing the quality of Slovak and foreign food products, up to 70% of the respondents believe the quality is the same and only 5% believe the quality is worse (Graph 4).

Graph 4: Comparison of the quality of Slovak and foreign foodstuffs



Source: own processing

Increasing the share of Slovak food products on the market is a society-wide task, importance also lies on cooperation on the vertical level, i.e., between farmers, food producers and stores. The opinions of customers, as shown by the survey, also plays an important role. The customer should understand the effects buying the Slovak food products has impact on the Slovak economy.

Conclusion

Small competitiveness of Slovak foodstuffs on agricultural and foodstuff markets manifests itself in the deepening of the negative balance of foreign trade with the food products, with only small amount of sectors of food industry creating positive balance despite the fact, that Slovak food production meets the standards of food production of the EU.

This fact logically increases the production expenses and does not provide wide enough gaps for meeting the requirements of the stores for supply of goods for the lowest possible prices, which might result in lower profitability, reduction in production or even reduction of the amount enterprises in the various sectors of food industry. Slovak customer also worsens the situation, as the limited finances lead to preferring of cheaper imported commodities with quality adequate to the price.

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Cognitive Age in Communication with Seniors¹

Dagmar Lesáková²

Abstract

In our paper we explore the concept of the cognitive age in seniors population and how it could be measured. We analyse the impact of self-perceived age on attitudes and shopping behavior, the consequences for communication strategy and advertising. The question whether the cognitive age is a more useful variable in communication and advertising than the chronological age in understanding older people is discussed based on the data from questionnaires distributed in the 55+ segment. Two methods of cognitive age identification to measure the self-perceived age of older people were applied. The findings of our research documented that no perfect correlation exists between self-perceived age and chronological age and that the look age dimension exhibits the highest correlation with the actual age than any other dimension of self-perceived age. The final part of the paper presents recommendations how to communicate with seniors effectively, creating communication that works.

Key words

cognitive age, chronological age, seniors, communication

JEL Classification: M20

Introduction

The constantly rising size of the age segment 55+ forces the companies to investigate the self concepts of the older consumers. Research studies demonstrated that stereotypes of older people in media or in society are not always identical by the perception of themselves hold by older people. Many seniors „think young” and expect to be treated in this way (Ward, 1972). Marketing and advertising researchers investigate „cognitive age” to improve the understanding of older consumers and to identify how they see themselves.

The aim of our paper is 1) to explore the concept of cognitive age and its link to chronological age; 2) to explain the application of cognitive age in marketing strategies; and 3) to demonstrate the importance of cognitive age measures for marketing and advertising campaigns. We raise the questions: why is the concept of cognitive age useful in marketing and how it can be measured. We reveal the influence of cognitive age on attitudes and behaviour, which is relevant for marketing communication. Finally, we investigate, which of the two variables: chronological age or cognitive age, is more useful in marketing research. The answers to these questions are demonstrated based on empirical research among seniors.

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Chronological age is frequently used variable in marketing and consumer behavior research. It is easily measured and is an objective and universal variable. that is used frequently (Churchill, 1979). Chronological age indicates the point at which a person can drive or drink alcohol, or receive a state pension. Chronological age is the most commonly used variable to describe the ageing process (Wei, 2005).

Although chronological age has important influence on consumer behavior, it has also its limitations. People (especially with subsequent age) perceive themselves to be younger (or older) than is their chronological age and this „self-perceived“ or „cognitive age“ can influence their behavior (Barak and Schiffman, 1980).

This leads to the broadening the concept of age. The idea that a person is as young (or as old) as it feels, is more useful in understanding the behavior of older people. For this reason, cognitive - or self-perceived - age rather than chronological age directly influences people´s attitudes and behavior and is used in consumer behaviour research of seniors (Barak, 1987; Barak, 2009).

In sociology is the cognitive age defined as „an age perceived by a person self and considered as an element of self-concept“(Barak and Gould, 1985). It is a theoretical variable; and as such, it is most easily defined by specifying its relationships with other variables.

The concept of cognitive or self-perceived age was found in sociological research. In 1956 Blau investigated age identification, asking older people whether they identify themselves as middle-aged or as old. Various other studies of seniors examining this concept, used terms such as „subjective age“ (Ward, 1997; Markides and Boldt, 1983), „perceived age“ (Linn and Hunter, 1979) or „age identification“ (Guptill, 1969; George et al., 1980; Baum and Russel, 1983). The term „cognitive age“was used in the marketing literature by Barak and Schiffman (1980), Barak and Gould (1985) and Barak (1987).

The concept of cognitive age can be applied to people of any age, because even young and middle-aged adults could have their cognitive age different from their chronological age (Guptill, 1969). However, most frequently is the cognitive age explored among seniors.

The proportion of older people in the population who feel younger than their chronological age, is estimated in various sociological studies about 50-75 per cent. It is documented that about half of seniors over 60 feel 10-15 years younger. The cognitive age of people in their 50s and 60s are consistent with the lives they are leading. However, in the situation of a dramatic life change / life event, such as retirement, age-related physical illness or loss of a spouse, people are forced to re-examine their self-concepts and may shift to older cognitive ages.

Several research studies of cognitive age support the „catalytic event“ hypothesis. Indicating an older cognitive age was associated significantly with treating into retirement, or with poor health.

Cognitive age is also significantly correlated with some variables which have significant impact on the standard of living, such as disposable income or education. Seniors with less money and lower education feel themselves to be older than those with better financial conditions and higher education.

Social and psychological differences exist also among people in the same chronological age, but with different self-perceptions. People, who perceive themselves as being cognitively old, engage in less social, cultural or educational activities. People who feel old, evaluate their life situations as unfavorable and have lower self-esteem.

Several studies demonstrate that a relatively high number of seniors feel middle-aged. It is an important knowledge in developing marketing and advertising strategy. Campaigns targeting seniors aged 55+ should portray them with other family members, in active way and to avoid to picture them as sick, poor and powerless.

Barak and Gould (1985) found in their research that older people perceived by themselves to be cognitively young, were less traditional, old-fashioned and have had a higher self-confidence. Cognitively young seniors were spending more frequently the time out of their home.

1 Methodology

Personal interviews were conducted with 68 adults aged 55+. The sample consisted from people aged between 57-86 years, with an average age of 66 years and standard deviation of 8,9 years. The composition of the sample is presented in Table 1.

Tab. 1 Chronological age in the sample

<i>Age interval</i>	<i>%</i>
55-64	32,4
65-74	42,6
75-84	20,6
85-94	4,4

Source: own calculation

Cognitive age is usually measured by two methods (Wilkes, 1992). The first and oldest method is age identity identification, indicating the age category (young, middle-aged, old) in which seniors perceive themselves to be, and is used most frequently in gerontology studies. The cognitive age is expressed by a single-item measure as a response to the question „which of the following adjectives best describes you“. Adjectives used include either 5-categories scale (young, not old, middle-aged, old, very old and elderly), or 3-categories scale (Ward, 1977; Linn and Hunter, 1979; Markides and Boldt, 1983; Gwinner and Stephens, 2001).

The basis of the second method was the acknowledgment of the ageing as an multidimensional process, comprising biological, psychological and sociological dimensions. In this sense the cognitive age is expressed by different dimensions of aging by asking people: how old they think they look (biological dimension), how old they feel (psychological and biological dimensions), and how old they think their behavior and interests are (social dimension). The original definition of cognitive age comes from Kastenbaum, who asked respondents how old they felt in terms of interests, things which they do, looks and feelings (Kastenbaum, 1972). In marketing was the term cognitive age used first by Barak and Schiffman (1980), who revised Kastenbaum method from 1972 into a decade matching format (Barak and Schiffman, 1980; Barak and Gould, 1985;

Barak, 1987). The cognitive age scale is frequently used as the measure of self-perceived age in marketing research of seniors.

In our research both two methods of self-perceived – cognitive age were applied. The first was the method of age identification with its single-item categorical measure. We asked respondents, which of three adjectives – „young, middle-aged, old“ best described them.

The second method used was the age decade scale, consisting of four dimensions „feel age, look age, interests age and do age“.

2 Results and Discussion

Analysis of the single-item cognitive age measure is based on a simple frequency tabulation (Table 2).

Tab. 2 Results of single-item measure

<i>Single-item measure</i>	<i>%</i>
Feel „young“ / „younger“	33,9
Feel „middle-aged“	51,4
Feel „old“	33,9

Source: own calculation

The results of single-item measure indicate that slightly more than half of the sample respondents perceive themselves as being „middle-aged“, whereas approximately one in seven seniors still feel „old“ and one third of the sample felt „young“. Comparison of chronological age (Table 1) and single-item measure (Table 2) suggested that respondent aged 55-64 years feel themselves „young“ and all those aged 75+ feel themselves to be „old“.

The method of „age decade scales“ contains nine interval scales. On the age decade scale, respondents have to indicate their average feel, look, do, and interest’s ages. It is then compared to chronological age (Table 3).

Results indicate that look age proved to be closest to chronological age (with correlation coefficient of 0,89) than any other of the three other dimensions (Table 4).

Tab. 3 Results of age decade scales

<i>Age</i>	<i>Feel*</i> (%)	<i>Look*</i> (%)	<i>Interests*</i> (%)	<i>Do*</i> (%)
Teens	0	0	0	0
20s	0	0	0	0
30s	4,4	1,5	10,4	4,4
40s	16,1	8,8	23,5	11,8
50s	29,5	25,1	26,4	27,9
60s	26,5	36,7	20,5	32,4
70s	14,7	17,6	10,3	13,2
80s	8,8	10,3	8,8	10,3
90s	0	0	0	0
Cognitive age (years)	54	66	52	58

Source: own calculation

*Response to statements:

„Most of the time, I feel like I am in my“

„Most of the time, I look like I am in my“.

„My interests are those of a person in his/her ...“.

„I do the things, which a person does in his/her ...“

Tab. 4 Correlations among chronological age and the age decade scales

	<i>Age decade scales</i>			
	<i>Feel age</i>	<i>Look age</i>	<i>Interests age</i>	<i>Do age</i>
Correlation coefficient	0,71	0,89	0,74	0,80

Significant at $p < 0,05$

Source: own calculation

Cognitive age seems to be an useful concept for marketers. It gives a more precise understanding of the attitudes and values of older consumers, which have an impact on consumer behaviour. Thus, the marketers can develop a better understanding of the customer decision taking and based of knowledge of cognitive age improve creative execution and media selection.

Older people, who are cognitively young are not very different from chronologically middle-aged and younger consumers. They usually lead active lives and purchase the same (or very similar) goods and services (Moschis and Mathur, 2006). Seniors who are cognitively young do not necessary require any special targeting. In contrast, seniors who are cognitively old, are suitable targets for goods and services which help them to make the life easier and to see the future in less negative perspective (Rentz et al., 1983).

Knowledge of cognitive age helps in creative execution of advertising to a clearer understanding of the self-concepts of older target segments. It means, it may help advertisers to avoid some stereotypes that could be rejected by seniors, or that could offend cognitively young seniors. In creating the advertisements it is to be remembered that the average look age of 55+ people is about 8-10 years younger than chronological age, and that the average interests age is about 10-15 years younger.

In our research we found the complete coincidence in look dimension between chronological age and cognitive age. Table 3 demonstrates high differences which have been identified in both age measures in dimensions feel-age and interests-age (12 vs 14 years).

Advertising targeted at cognitively young seniors may promote also trying new products, since these people are positive towards new brand trial. Trying something new either for comparison or for variety does not appeal to the cognitively old (Szmigin, 2000). They exhibit behaviour with a high level of risk aversion.

Respondents who felt younger, and who actually were younger, expressed more willingness to try new brands (0,76) and seek information (0,86) and were less likely to display cautiousness in buying (Table 5).

Tab. 5 Correlations between single-item measures and consumption measures

<i>Single-item measure</i>	<i>Correlation coefficients (%)</i>	
	<i>New brand trial</i>	<i>Information seeking</i>
Feel „young“	0,76	0,86
Feel „middle-aged“	0,65	0,81
Feel „old“	0,42	0,62

Significant at $p < 0,05$

3-point scale, where 1=less likely to try new brand and seek information; 2=likely to try new brand and seek information; 3=very much likely to try new brands and seek new information

Source: own calculation

The knowledge of cognitive age (in addition to chronological age) is useful also for media decision and the choice of media channels, which are most efficient in influencing this segment. People who are cognitively young, are easier to reach, because they are more likely to seek new information, to watch advertisements and to read the product labels. The media that reach chronologically middle-aged and younger target segments may be also effective for the seniors who feel cognitively young.

On the other hand, the cognitively old seniors are harder to reach. They are firmly bound to products and media that are known and familiar to them. To pursue the cognitively old people to buy a new product / new brand, requires from the marketers to use convincing methods, such as free samples / in-store sampling, to encourage trial purchase. It is recommended to stimulate word-of-mouth, since cognitively old seniors believe more to this form than to printed advertisements.

However, the willingness of seniors to try new things is not only a function of feeling younger, but it may also be a function of income or education. People with higher income tend to feel younger and to be more open than those with less money.

The age decade scale is the preferred measure of cognitive age in the gerontology research for three reasons. First, it gives a more accurate estimate of cognitive age than the single-item scale, because it uses nine scale points and four items. It is expected that the estimates will be more accurate, if there are more points and more items on a rating scale. Second, the four dimensions of the age decade scale are easy for respondents to understand and answer. This is an important advantage, given the difficulty, which older people often have with scale questions. Third, analysis and interpretation of the age decade scale is easy.

Finally, cognitive age is a useful concept in marketing / advertising decision taking, that may be used as a supplement to chronological age. Advertisers can employ it to achieve more effective creative content and more efficient media selection. Cognitive age is not a substitute for chronological age, but it can enhance the understanding of a large and diverse segment of senior consumers.

Conclusion

The main finding from studies of age identity is that the majority of older people do not identify with the age category „old“, but prefer to consider themselves „middle aged“. Our research, which has applied two methods of cognitive age identification to measure the self-perceived age of older people, documented that:

- no perfect correlation exists between self-perceived age and chronological age,
- the look age dimension exhibits the highest correlation with the actual age than any other dimension of self-perceived age.

The results demonstrate that the vast majority of seniors feel „middle aged“ or „young“ and are not ready to admit they feel „old“.

Cognitive age seems to be a useful concept for marketers and advertisers as a supplement to chronological age. It enables a deeper insight into the multidimensional segment of seniors and helps to understand the self-concepts, attitudes and behavior of older people. Chronological age remains in marketing a valuable segmentation variable, the most important and standard demographic measure. Nevertheless, the cognitive age makes the picture of seniors more clear and precise.

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Influencing People, that is, how to Defend against Manipulation at Guiding Work

Tomasz Lesiów¹

Abstract

Situation of city and local guides in Poland in 2014 has been changed as these occupations were deregulated. The existing training methods and the giving guide licenses will be replaced with new to acquire knowledge and skills for future guides. Now, they can benefit from paid courses organized by PTTK branches which combine theoretical and practical training and emphasis on acquisition by the candidates the so-called soft skills. They also include the ability to cope with pressure and manipulation. The guide must be able to recognize situations in which the behavior of participants of the tours are manipulative and must learn to deal effectively with such behavior. The aim of the paper is to show the different forms of influence on people, with practical references to an everyday guide's life. The acquisition of the necessary skills for working with people, in addition to guiding expertise will allow the guide, either in Poland or in the EU to fulfill their obligations as well as possible and meet the expectations of visitors in a professional manner, regardless whether they have received training or if they conduct tourism activities starting from zero.

Key words

guides, influencing people, manipulation, quality of guide's work

JEL Classification: L83

Introduction

The situation of city and local guides in Poland in 2014 has undergone substantial change. These jobs have been deregulated. It was left only the profession of mountain guide. In a situation where everyone can now be a city and/or local guide, simply by registering your own economic activity, raises the obvious question whether the quality of tourism services may be reduced? Opinion in this issue are divided.

Competition forces anticipate caring for quality and in the long term on the market will remain the best. The existing training methods and giving guide authorization will be replaced by other ways to acquire knowledge and skills for future guides. Now they can benefit from paid courses organized by PTTK branches and/or Guide Council. These courses combine theoretical and practical training and a strong emphasis on the acquisition by the guide candidates so-called soft skills that are needed to work with people. Among them is important for guides, the ability to cope with pressure and manipulation. The guide must be able to recognize situations in which the behavior of the tour participants are manipulative and must learn to deal effectively with such behavior for the good of the whole group.

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The aim of the paper is to show the different forms of influence on people, with practical references to everyday guide's life.

1 Methodology

The paper is based on an available literature review of well-known manipulation rules (Batko, 2005; Bradbury, 2004; Cialdini, 2009 and 2011; Hogan, 2005; Hogan and Speakman, 2012; Jarmuła, 2006) and experience of the author in tourism problems in Poland.

2 Results and Discussion

An attempt to change people's beliefs, attitudes and behaviors as well as falling under the influence of others is constantly present in the direct inter-personal relations. Every day we are bombarded by thousands of messages, to convince us to do something, which come from numerous sources such as radio, television, Internet, newspapers, catalogs, advertising offers on billboards, etc. Each day, millions of people fall victim to persuasion only because ***they lack the proper skills to recognize, interpret and respond effectively to manipulation.***

Without a doubt, in our interest is to mastering the art of influence, to realize how it works and learn how to apply its proven techniques in order to both defend against undesirable influence, but also to be able **to positively influence others**. The persuasion rights are not neither good nor bad. They just exist and like nuclear energy can be used for the benefit of man or against him. Whether the obtained results will be good or bad depends on the person using these laws, **the motivation**, which he directs. Because even though the manipulation does not arouse positive associations, persuasion and/or influence can get a little better, then every time we talk about such impact on a person or group, that did not realize fully or completely from the fact that is the subject to any interactions, or not to be aware of the strength or the consequences of these interactions.

If we fail to imagine **positive persuasion** let's recall the people with a great power of persuasion/convincing that make people take part in the great charities, that make kids do not use drugs, or prevent wars, or improve quality of life. Some study, carried out recently, by economists has shown that up to 26 percent of gross national income is created by application of persuasion skills in the trade. The ability to influence others allows to achieve professional success and multiply own income. It is invaluable in any area of life, including the family. There are emerged a lot of handbooks in which the authors, for example, advise parents on how to talk to children, that they have heard us. Without the ability to influence, it is also difficult to talk about the educational successes.

Conclusion

Exerting influence is widespread. Some are aware of this, others do not always understand, that they use the specified techniques.

Influence is not always used to negative acts.

Influencing differs from the logical argument, because combines emotions and logical pass involving, by the fact itself, not only the left but also the right hemisphere of our

brain. It is necessary to know the needs and emotions of a partner to be able to exert a positive impact.

2.1 The most well-known manipulation rules

Let's look at the most common principles of influence. The first, which we will discuss is **the principle of reciprocity**.

In accordance with it we are always **feel obliged** to give back the person, from whom we experienced some good. In all communities is common commitment for giving, receiving and rendering. A sense of obligation also evoke favors, which were not asked. It turns out that obtaining even unwanted gift obliges the rematch. The idea is to get rid of its debt of gratitude, because generally the person violating this rule shall meet with the disapproval of society. In some cases, the need to repay a debt of gratitude is so urgent, that in the end we show gratitude by doing much greater favor. The law of commitment can be used in a positive way to reduce hostility or suspicion.

During one of experiments two people were asked to try to sell lottery tickets for not expecting this workers. One of the persons has taken a conscious effort to conciliate workers before trying to sell them any lots. The second person behaved in a rude and annoying manner in relation to workers. When they have a lunch break, the person who had behaved rudely, bought for all workers drinks before attempting to sell them tickets. The results of the study showed that the unkind person has sold twice as many lottery tickets than sympathetic.

The principle of commitment is easy to use. You only need to create **a commitment by doing a favor, for giving information, concession, revealing secrets, gestures, compliments, gifts or by the dedication of his time or attention**. The use of all the action in combination or separately creates the need to reciprocate so far as are perceived as altruistic. If, however, the fact that we give something first will be read as manipulation, bribery, or run, it is clear that it will not bring the expected results.

However, this principle is sometimes used to **manipulate**, if you manage to suggest the person that handed her a free sample of a product or a gift from the company is unselfish favor. Sometimes, the samples are sent to the home. Typically, when afterwards we go to the store you choose just received brand product. People often revenge, even for devoted their time and attention. For example, if the shop assistant shows us interest, is helpful and displays us the products you want to buy, in the return we buy them or we buy, although a trifle. Often we go back to this store to buy something again from so attentive salesperson. On the other hand in restaurant waiters use the working of the principle of commitment by "in confidence" advising us what to order and what to avoid. Usually we repay like ordering more food or giving a bigger tip.

Conclusion

The principle of reciprocity it is kindness, to win the favor of people, giving, exchanging, accepting. If we prove direct involvement, we will show initiative and provide further information, if we treat people individually, if the client is seen as extremely important in the future we can expect more customers. It is no different in tourism. The guide, who will show the group something that was not in the program, shows the kindness and is helpful, more than are the requirements for his work, he can expect that

escorting tourists return to him in the future as well as they recommend him to the travel agency or among their friends.

Personal involvement through a smile, kindness, ability to listen to, paraphrasing someone's speech (repeating what someone said in own words) requires really small effort from our side (head nodding, smiling) and will result in that persons will try to reciprocate for what they have received.

This principle was used, in the 60's of the 20th century, by members of the religious movement of Hare Krishna. Singing and dancing on the streets of cities handed out flowers to passers-by and those feeling more obliged to return the favor, give donations or buy books from donors. Very important was here the element of surprise. People do not expect to be given anything and this greatly increased the strength of the impact of the principle of reciprocity.

An effective tool of influence, using the rule of reciprocity is the technique „**the door in the face**“.

Concession leads us to a rematch. We use here the following sequence of actions - first we formulate a large request which we know cannot be fulfilled and then „**down from the tone of**“ **asking for a lot less favor with exactly what we wanted from the beginning**. This technique is often used in negotiating price increases by employees. The employer feels relief, that the employee went to the concession and reduced his request and in accordance with the rule of reciprocity feels obliged to propose something. An important addition to the rule of reciprocity is mentioned above, **the element of surprise**. People surprised by somebody else's request temporarily lose a self-confidence, making it easier to influence for them.

Conclusion

The tour leader wanting to get the „points from the group“ puts pressure on the guide to show to this group something more than the norm. If the guide is in contact with their emotions accurately read the behavior of the tour leader, as an attempt to manipulate. Maybe then less emotionally react, giving yourself time to make a decision in accordance with own needs. May postpone the moment of decision, saying for example „will come back to this after visiting a particular object, we'll see how much we will have time and energy“.

Another discussed rules of manipulation is **the principle of involvement and consequences**.

It is based on the fact that we want to be perceived as **consistent persons**, that by own actions reflect their beliefs and values. **The consequence is more commonly associated with honesty**. For this reason, sometimes, doing consistently, we act contrary to our own interests. You can even talk about the automatism of consistent action.

This is due to the fact that, in the first place, thinking is exhausting - thinking we are losing three times more energy than when watching TV. In addition, from thinking also discourage sometimes conclusions, to which we could reach. We prefer to be unaware of some of the things.

Moreover, there is a natural tendency associated with a positive confirmation of once made selection. The main factor necessary **to effectively exploit the desire to the consequences is to stimulate the involvement.**

It happens that our commitment to the consequences might be used against of us. **If someone succeeds to involve us or we engage ourselves in a matter so strongly that it will be difficult for us to withdraw from it, that can lead us that we will act contrary to our interests.** The principle of involvement bases on the fact that the **realization of the activities in which you have to put some effort, increases the likelihood of a repetition of similar behavior or the desire to remain consistent in finalization of the taken action** (we are standing at the bus stop 30 minutes, because we are engaged, standing to the resistance until we freeze).

Conclusion

The rigid holding of the previous arrangements is not always an optimal solution. Tourist guide promised group too much and in the meantime, the weather has changed, or visiting other objects has taken us too much time. Despite this, unaware that he is under the pressure from the rule of involvement, he is trying to meet with too ambitious plan, rather than to correct it on time, he is late for a meal or too late, and at a loss for himself ends the sightseeing. Being aware of the existence of rules of involvement he can consciously take appropriate steps, for example can apologize and explain the reasons for the change of plans encouraging the group to re-arrival.

The use of the rules of engagement and consequence enhances significantly the so-called **the promise to the public (for example, the guide says to everyone in coach)**. It is used in politics, treatment of drug therapy or in obesity. In clinics for **obese people** they are encouraged to inform, about their intention to lose pounds, as the largest number of friends. The politician who makes a promise to the public is much more difficult to pull out of it than if he did not reveal it. **The bride and groom**, who have taken a number of steps in the direction of marriage such as engagement, previews, purchase wedding rings, presentation to the parents, lessons before wedding, what aroused their commitment, they are also the subject to a rule of consequence and promise to the public. How difficult it is at some stage, in connection with such strong action of the mentioned rules, to withdraw from the wedding, even though they both may even do not desire it any more. **The sellers, for example of cars** perfectly are able to arouse our commitment. After completing dozens of documents, negotiations about prices, at a certain stage when the seller suddenly reveals to us the extra costs we're willing to overpay, not to go through it again, and besides to show up us as a trustworthy and consequent.

The rule of engagement and consequence is therefore commonly used in price promotions, advertisements, contests, for example to invent ad slogan. It was found that if we write something favorable about the neutral subject, and even contrary to our views, because that is the task, we will be more willing later to behaviors in accordance with our declaration.

The Chinese have used it in internment camps for dissidents prompting them to change their views, by writing of essays showing the good side of the regime. It turned out to be a very effective technique of influence on altering presented attitudes.

Therefore, when we take part in a contest to create a slogan of a product then do not be surprised that it will be found in your store floor shopping cart.

Conclusion

A guide through positive involvement and enthusiasm increases the chances of the positive response from the group. A tourist reinforces the belief that the event in which they participate is great and satisfied persons will have a positive impact on other one. This is also related to the social proof of the rightness, but more on that in a moment.

The rule of engagement/commitment and consequence tends to be carried out, among others, by the technique of „foot in the door“.

It can be used in order to **encourage people into submission**. If someone makes us to **the small concession it will increase his chances of that then we agree on more**. In this technique is used the theory of **cognitive dissonance** to mean which we always try to reduce **the inconsistency arising between what we think of ourselves /in this case of our consequence/ and what happens in reality**, because until we not do that, we feel wrong, torments us a sense of guilt.

For example, in one of the experiments home owners were asked to put in their windows a **small plaque that encourages environmental protection**. When after some time were asked to place in front of their houses a vast plaque of calling for careful driving, they were much more likely to do so than those which have not previously been asked of any request.

Conclusion

In the case of several day-trips, if the guide or the tour leader manages to convince the group to own idea and the group will agree on a concession (minor), the next time we have a much greater chance to achieve our next, larger, idea (bigger concession).

Another technique that uses the mechanism of commitment and consequence is called **„the low ball“**.

If a friend asks us to drop off at the station and we agree to do this it will be difficult for us to withdraw when in the next sentence he adds that the train is about 22.30. It works here, of course, **the sense of obligation** arising as a result of efforts to pursue accepted commonly features of **being consistent**. When, under the conditions of freedom choice without external pressures we engage ourselves in any action **we feel an obligation to continue even when the conditions will change to less favorable**.

Sellers often tempt us with hope for a profit, for example, **great promotion of coats**. When we arrive to the store suddenly it turns out that there is no our size, the right color, etc. The seller then gives us another product, so that more expensive, and we are succumbing to the **pressure of being a consistent** we buy it and then we justify the desirability of purchase. Salesmen are well aware that **the appearance of personal involvement** leads to the creation a number of reasons to support them.

Another of the principles of persuasion is **the principle of social proof of rightness**. According to it, **whether the particular idea or behavior is correct and worth imitating we decide by reference to what think and do other people**. If

you suddenly stop on the sidewalk and begin to look at the sky, soon many people will join us and will do the same thing.

The power of social influence is more greater if we more identify with the person or the group, that presents the idea or behavior and **the larger is the group**.

The tendency to imitate the actions of others grows also **in situations of uncertainty and ambiguity**. In an ambiguous and unclear situations, at each person increases the tendency **to observe the behavior of other people, as if they knew better**. So sometimes happens, for example, when at the elegant party **we cannot properly use cutlery to certain dishes**. In a supermarket **just a few people will be interested in the product and make a purchase**, for a while there will be clients who also demonstrate a desire to purchase this item. Of course, this principle is constantly used in the trade, i.e. the specified persons are substituted to have begun to show interest in a particular commodity.

This principle shall apply also to **beggars and all sorts of people collecting money for different purposes who** at the beginning give money themselves/beggars always have already something in their cans/ to show what is other people's interest in their action. **The desire to imitate the behavior of others will be stronger when those whose imitate are in any way similar to us**.

To defend themselves against manipulation by the **principle of social proof** should be aware that such a rule exists, be sensitive to falsified evidence of others proceedings and remember, that **proceedings similar to us humans may not be the only basis for our action**.

Conclusion

The more group perceives guide or tour leader as similar to each other (clothing, choice of words, jokes, response), as it is commonly says „broadcasting on the same waves“, when he is able to flexibly tune into a group (status, environment, vocabulary) it will be better for him to cooperate with group, manage or solve potential conflicts. Therefore, it is important to obtain precise information from the office, what kind of people will be participants in the tour, from where they will arrive and, as far as possible, how to react, in what may be the mood. The latter will allow us to avoid cognitive dissonance, which can spoil the whole event; we joyful – the group after the night driving is tired, we talk about historical monuments - the people like to twist because they must urgently go to the toilet.

In general, we are more likely to **meet the requests of people who we know and like**. In the techniques of **persuasive much attention is given to techniques to inducing sympathy in others**. We have, therefore, to deal with the next **principle of social influence**, which is the **principle of liking or sympathy**.

There are several factors that increase our sympathy for the other person. These include: **physical attractiveness, similarity, compliments, contacts and cooperation, positive associations**. The results of the scientific research show that the prevalence of physically attractive people in social interaction is greater than is commonly believed.

Automatically we have for nice people more sympathetic than the less nice and also **automatically assign them a lot of positive qualities** such as talent, intelligence, honesty, which in reality they may not quite possess. Attractive people have a

greater chance of employment, to get help in need, for it, to affect for our opinions and beliefs.

The mechanism of this process is known as the „halo effect“. Physical attractiveness is widely used in advertising. **Attractive model** has brightened up advertised product and move on him our positive emotions.

In one study, it was shown, that men evaluated the car promoted by the beautiful model as a faster, more attractive, more valuable and better designed than the car viewed without a model.

The effect of positive associations is also known by manufactures of the other goods and they make every effort to be able to identify their products with what is currently fashionable and the most important - a good associate. In one of the first Volkswagen ads at first are mentioned celebrities from the world of show business and then we hear the information that each of them drives a car of this brand.

Conclusion

It can happen and often does, that the average handsome and advanced age guide cooperates with an attractive, sympathetic tour leader. The tourists, due to the „halo effect“, will be more susceptible to persuasion from her hand, and guide, in order to carry out his tasks must be aware of this, but also that he may be more willing to make concessions on her behalf. With this knowledge more easily escape difficult situations, such as these, that he will give up requests of tour leader and offer tourists, something that was not in the program, and frustrated and tired group will late for dinner, and he will bear the consequences of such a submission.

Also, **the similarity is a factor that affects our sympathy and often calls up for thoughtless submission.** Be careful, therefore for persons who want to sneak into our favor especially if we notice that they started just as we **dress up, comb, and even behave or speak.** Persons wishing to persuade us to do something, using **the principle of similarity,** can speak directly about that their life experiences, views are similar to ours. **The similarities influence on the level of sympathy, that we can bestow on others, causing that the such persons cease to be foreign to us and even become our friends, and after all friend requests we generally meet.** Sympathy is also enhanced by compliments, what we are bestows by the particular person, as well as by the frequency of contacts.

And it is not even of special importance, what is the nature of these contacts. Of course, thanks to the frequent contacts we can someone closer to know and like, but even normal, everyday passing on the staircase causes that we begin to feel more sympathy for the person than to those neighbors who we see rarely. A special kind of contacts, that increase the sympathy, is a **successful cooperation.** If the joint has led to success, **we begin to feel far more sympathy for the people with whom we have achieved this success.**

How to protect ourselves against manipulation **using the principle of similarity and sympathy?** We must learn to **detect** our own, a sudden **surge of sympathy for the person concerned.** If we find that extremely fast we liked a totally us before foreign person who wants us to sell something or to persuade, **this should be a warning against the dangers threatening us.** When we detect such a surge of sympathy, we should briefly suspend contact with that person and **separate in our mind sympathy**

for her from the feelings which induce in us her proposal. Then we should make a decision based on the latter feelings. There is a need to distance themselves temporary and spatial.

To the principles of social influence is also included the rule based on submission by us authorities. Each of us has more or less instilled a sense of duty to submit to authorities, because most of the social groups to which we belong has a hierarchical structure. From an early age we are taught to submit to authorities and reinforces in the belief that opposing to them is a bad thing. By obedience we are rewarded for disobedience punished. **In adult life we listen to employers, judges, political leaders, because we believe they have an inaccessible for us knowledge and we trust them because they represent for us authority.** Moreover, they have the power, which increases our tendency to submit. Automatic succumbing to every authority can be caused already by **only symbols or signs of authority such as titles, expensive cars, clothes, jewelry.**

We are often manipulated by persons that use just the symbols of authority and in fact there are not any authorities. For example, an elegant suit we associate with authority (a high social position, prestige, intelligence). If a person dressed in a suit is breaking traffic rules by going on a red light, he will meet far more followers than when is dressed in flannel shirt and jeans. **Clothing is, therefore, a symbol of authority** that can trigger an automatic submission. So many times in advertisements of drugs is used motive of the white medical apron. Easy to use are also titles, of which the actual getting requires years of hard work. However, you can use them as a label not having any rights to do this. Use them both actors in the commercials, as well as different scammers.

To guard against the influence of false authority, we need to answer the questions:-whether the authority actually is an expert and on how you can have confidence to him? We should, therefore, try **to separate the symbols from the actual evidence and consider the reliability of the authority, because broad knowledge must not always go hand in hand with honesty.**

Conclusion

Many guides wonders what attitude to take? Do you try to assimilate to the group and be recognized as a „buddy“ (implementation of the principle of similarity), or work through the implementation of the principle of authority (distance, highlighting competence, a lot of guide badges informing of many powers and experience). It seems that the best is the principle of the golden mean, as a guide we are usually authoritative for a group in a particular area of knowledge and skills, but giving a smile and showing sympathy we're doubling our impact on the group and easier, thanks to it, we realize tasks of guiding. We cannot forget the fact that in the group of tourists can be find a person who, creating for the authority, will try to manipulate the group to spoil our ranks, requiring too much, or even impose own concept of sightseeing. Recognizing the type of manipulation it would be easier for us to cope with such a situation.

The last of the principles of influence, which we will discuss is **the principle of inaccessibility/unavailability.** It consists in the fact that **capabilities or products that are more inaccessible are attributed to a higher value.** In the process of socialization we learn that things which are usually difficult to obtain tend to have usually a high value: rare coins, stamps, books or paintings at auctions sometimes reach astronomical prices. Sometimes even an error in printing or other fault rather than

diminish the value of the product increases it. When something is special and unique and not easily accessible it becomes valuable.

It has been found that people are more anxious to get something what recently ran out of them than something they never had. Very important is also **the existence of an element of competition**. Of course, this knowledge is constantly used in marketing. Sellers are fully aware of the fact that **when we learn of the passing forever occasion we do not think about what we might gain by purchasing the product, but what we can lose not purchasing it**. In other words, we do not consider whether the thing is really needed by us because the most important becomes competition in the fight with the other about gain, as it seems us at the moment, hardly available good.

Therefore, if someone wants to sell a car or apartment can invite a few buyers, or even a friend who will seem interested in purchasing. It will work then **the principle of inaccessibility** (potential buyer thinks that one of the interested will forestall him in buying). This is because the pressure resulting from the unavailability is hard to resist only by intellect. This pressure, since it triggers so strong emotions, that they can effectively interfere the process of rational thinking.

Conclusion

The group often has no discrimination of what is worthy to watch in Wroclaw. And when we say that the pearl of the baroque is the Leopoldina Hall at Wroclaw University, but is today closed, we get ready the loop around own the neck, not respecting the principle of unavailability. Of course, we can increase our own authority, saying that thanks to own acquaintances they will enter and see the representative hall. If such is not possible it is better to concentrate on showing other sights than mentioning the above hall.

Because often we underestimate feelings, because we try to be in taking all decisions primarily rational, it is worth to remember that **feelings before thoughts are meant to warn us against danger. Therefore, in order not to be manipulated, we must observe own feelings**. If we feel the escalation of tension, and sometimes it is not important whether the feelings are pleasant or unpleasant, just increasing their intensity, let's take this as an alarm that something is happening and **go away from the source of feelings, postpone action, to which they provoke us**.

Then we give a chance to the rational part of our brain to think about things and we will be able to answer the question, **what is really going on in a given situation**. Then we have a chance to make a decision, which we will not regret.

Conclusion

Described in this paper the principles of social influence are supposed to turn off our consciousness and cause an automatic afterthought, a learned response. Masters, but also ordinary craftsmen involved in the manipulation prevent us from careful consideration of all the „for“ and „against“. It should also be remembered that it is much easier to be manipulated **when we make a decision under stress, rush, uncertainty or when we're tired or busy**. So let's use the knowledge of the principles of social influence for its own sake but also for the benefit of others.

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Seniors as a Target Group for Trade and Marketing¹

Monika Matušovičová²

Abstract

The most significant demographic trend in Europe is a change in the age structure of the population and ageing of the population. The article also discusses the fragmentation and diversity of the concept of senior and differences in the understanding of ageing in Slovakia and the European Union. As a result of biological, psychological and social changes, the elderly have partly different needs and wishes in comparison with younger target groups. To attract their attention is important so that producers and traders focus on key factors of success of companies on the senior's market, which include quality, convenience, counselling, and services. In the paper, we highlight the potential of this target group in trade and marketing by means of a more detailed characteristics and selected approaches to senior market segmentation.

Key words

demographic trends, senior, senior marketing, factors of success

JEL Classification: M31

Introduction

The most significant demographic trend in Europe and other developed countries is the change in the age structure of the population and an aging of the population. The whole Europe is aging at fastest rate in the world. All EU countries are below fertility rate, which would at least maintain a steady population. Demographers consider for this value 2.1 children per woman in reproductive age. Closest to that figure is in the European Union Ireland with two children. On the other hand in post-communist countries is this value way lower. The current birth rate in Europe is only 1.5 children per woman and in some countries is it even under this level. In Slovakia is currently the rate 1.34, 1.49 in the Czech Republic, Poland 1.38 and Hungary only 1.25 children per woman (Záborský, 2013).

The forecasts of the development of population in Slovakia describe its further development by reducing population growth and aging. People are living longer and the fertility rate is falling. This trend is also confirmed by a report from the publication of European Commission and Eurostat on demographic trends in the European Union which states that in Slovakia were in 2010 12.3% of the population aged 65 and over which was the second lowest figure after Ireland. It is expected that by 2060 the proportion of the population aged 65 and over of the total population will be 36.1% which will placed our country on the second place of highest rate of aging countries after Poland (36.2%). In 2060 is Slovakia estimated to be fourth oldest country of the original twenty-seven countries. On every three workers will be two retirees. Today five employed people are working on one retiree (European Commission, 2011 and Eurostat, 2012).

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Shift of this ratio will significantly influence the change of the definition of pensions, as well as public health insurance and social welfare. Within the company will be needed to solve the direct impact of these demographic changes in the areas of social services, health care system, infrastructure and labor market. Through significant changes will go also supply side of the economy, which will copy preferences of seniors, because they will become interesting group of consumers. The group, these people form, has huge potential in the direction of further education, purchasing behavior, active lifestyle and leisure. Older consumers are starting already to be an interesting target group for marketers, retailers and service providers.

1 Methodology

The aging of the population poses to the society entirely new factor which is unprecedented in the history and therefore creation and application of the new adaptation theories in praxis will not be easy.

The aim of this paper is to draw attention on the inconsistencies and diversity of the concept of senior and specify the factors that influence the success of the company on the market of seniors. At the same time the contribution aims to characterize the segment of the elderly as specific target group and to show its potential in terms of trade and marketing.

In the article are used classical scientific methods such as analysis, synthesis, comparison, deduction and concretization. Priority is the analysis and comparison of theoretical approaches to the issue of senior marketing and subsequent synthesis of studied phenomena and relations between them. Statistical data are from the portal of the European Eurostat statistical databases. We have also analyzed studies from consultancies ACNielsen, PwC and the Institute of Trade and Marketing at the University of St. Gallen. We have as well synthesized the analytical data of the Statistical Office of SR.

2 Results and Discussion

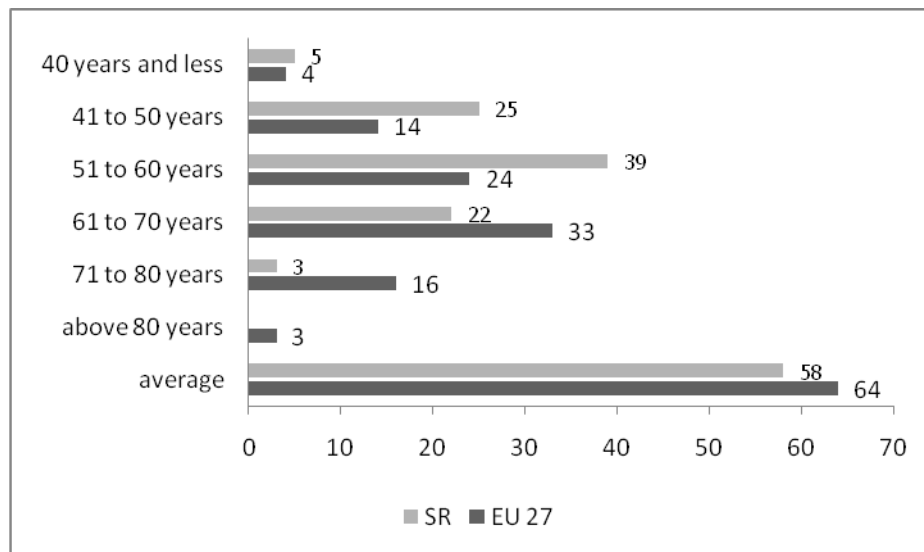
2.1 The diversity of the concept of senior

In the context of the aging process is necessary to define the concept *senior*. Senior concept comes from Latin and refers to the older or oldest member of the company or team. Perception of term senior is inconsistent. For some authors it is a person older than 50 years. Others add another ten years. In terms of pension insurance is a senior older than 65 years. In our domestic and European statistics seniors are considered also as people older than 65 years. Interpretation of term senior varies and evolves over time.

While in Slovakia, on average, people are considered being "old" at age 58 years, Europeans believe that the "old" begins just before the age of 64 years (Statistical Office of the Slovak Republic, 2012). Movement of the limit to lower age may indirectly relate to much more negative perceptions of people over 55 years in Slovakia than in the EU. Differences in the understanding of aging in Slovakia and the EU which are supported also by results from the Eurobarometer 2011 about active aging are shown in graph 1.

Seniors in Slovakia are also much more passive than in neighboring countries. Getting older, health problems and social isolation are major causes of gradual resignation and loss of life optimism (Kopaničová - Klepochová, 2012).

Graph 1 Opinions of the population (in %) of Slovakia and the EU on the age when a human's surrounding begins considering person as "old"



Source: own processing according to the Statistical Office of SR. Available on the Internet: <<http://www.portal.statistics.sk>>

From a marketing point of view the post-war generation or group of seniors includes a very diverse group of people. G. Bovensiepen and M. Schögel distinguish three generational groups of seniors (Bovensiepen & Schögel, 2006):

Babyboomer: target group aged 50 years and over. They are still employed, have a high income and are often at the peak of their careers. Due to the good earnings are they able to live an active life.

Best Ager: target group aged 60 years and over. They belong to a rather conservative target audience. They are taking innovations mostly sceptically. Many are already retired, financially secure, they are active and take care of their health.

Senior: target group over 75 years. They belong to the group of traditional and conservative consumers. Their income is very limited. They live modestly and are annoyed by many health problems.

2.2 Seniors as new target group

According to economists in the coming years will be changing in whole Europe the consumer behavior. People will buy other products and services than people are currently accustomed to. The structure of consumption will gradually move to the consumption of drugs, vitamins and medical tools as well as horticultural products for seniors. As shown in Table 1 increasing market potential have health, assistance and nursing services, financial services, food, health care and physical fitness, cosmetics, automotive industry and travel (Rössing, 2008).

Tab. 1 Seniors as future customers

Seniors as most important customers	Seniors as important customers	Seniors as customers among other target groups	Seniors as potential customers
<ul style="list-style-type: none"> • medical products • health prevention • products designated for specific age • care services 	<ul style="list-style-type: none"> • healthy nourishment • leisure • body care 	<ul style="list-style-type: none"> • grocery • clothes • furniture • travel • financial services 	<ul style="list-style-type: none"> • consumer electronics • electrical appliances • cosmetics • sports equipment • cars

Source: own processing

As confirmed by researches and marketing analysis of the target group of seniors made in Slovakia and abroad (Dichter, 2000; Nadácia Orange, 2010) represents already nowadays the seniors one of the most attractive target groups. Consumers - seniors include:

- target group which will continue to grow in the future;
- they have purchasing power;
- are young and vibrant as never before;
- have a lot of free time;
- have a very different attitude to consumption;
- appreciate quality and know what they want.

These changes of the target group of seniors in comparison with the previous years analyze the study "Underrated generation" of research institute of market T.E.A.M. The study is based on a representative examination conducted on consumers between 50-90 years and identifies six types of seniors (T.E.A.M Institute, 2004):

- **Demanding Enthusiasts** (22%) - they enjoy finding new products and they spend on shopping enough money. They are financially well-off and have high demands on product quality.

- **Conservative hedonists** (15%) – they are seniors connected with traditions who are after whole life spent at work finally savoring weekdays. When shopping they prefer quality products but basically they are more conscious of their savings and more economical. They are looking for cost-effective products.
- **Solvent innovators** (11%) – they like change, are in favor of news and like to try new products. They also prefer quality for which they are willing to pay more.
- **Modest and coy** (11%) - are best suited to the traditional notion of the elderly, but at the same time, as shown in Graph 1, according to the typology have they the smallest percentage in comparison to other types.
- **Careful traditionalists** (19%) - are the most conservative group of seniors. They like shopping known, proven products and distinctive for them is brand loyalty.
- **On experiences oriented activists** (22%) - are enterprising, feel young and they like change. When shopping they are very choosy and pay attention particularly the relationship between quality and price.

Typology of T.E.A.M company confirms that the current generation of 50+ no longer meets traditional ideas about seniors who are today in comparison to the past mostly younger, more active, enjoy shopping and seeking out new products. For a number of producers, traders and marketing staff are the seniors very interesting target group which is well situated, active and search for quality products. In this context it should be noted that despite the fact that older consumers overall are starting to be an attractive target group for sales and marketing in Slovak Republic and neighboring post-communist countries are they not. That might change in the future but problem is the low level of income of Slovak seniors and therefore their purchasing power is low.

2.3 Factors affecting the success of the enterprise on the market of seniors

As a result of biological, psychological and social changes have seniors compared to younger target groups' partly different needs and wishes. For successful reach of this target group is important that producers and traders will focus primarily on factors such as quality, convenience, counseling and services (Bovensiepen & Schögel, 2006).

Most seniors today seek discounted products and they buy everyday goods especially where prices are lowest. Product *quality* has but in many cases bigger importance for seniors than price. These arguments are for example supported by the results of the study „Generation 45-Plus“ from the Nielsen company (AC Nielsen, 2004).

When the older consumers are shopping they show factual and rational behavior. It is manifested in the fact that they place emphasis on clear and tangible benefits of the products and also concentrate on high quality and reasonable price of the products at the same time. They opt for effective and meaningful investments. Seniors are willing to pay higher prices also for products of national brands, which are to them a guarantee of quality.

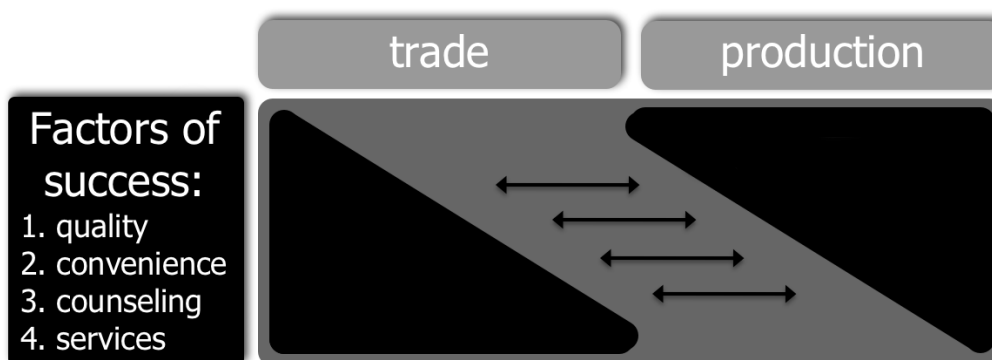
Convenience is meant in marketing of seniors as easy and comfortable handling of the products as well as simple and time-undemanding operation of device. Simplicity is for success of product in segment of seniors the decisive factor. Complexity causes fear and discomfort for the senior consumer. In general, products for the seniors should be simple, easy to use and should be also easy to maintain. Too many mostly unimportant features only overwhelm and confuse seniors. Therefore the range of functions should be less focused on technical elements and more focused on the practical requirements of seniors.

Older customers can we influence and inspire also by the *services*. They appreciate when they are not immediately after payment left behind and seller already addresses another customer. In some countries, for example, are already providing services aimed at helping seniors with the purchase or loading the goods in the car.

Particular importance for the elderly is also *counseling*. They like to get advices from sales staff and also appreciate individual service. In no other target group is the buying decision so much dependent on the quality of the advice as in the segment of seniors. From staff are expecting except expertise also courtesy and attention (Lesáková, 2013).

Manufacturing and trading businesses can variously influence mentioned factors. Quality and convenience are closely linked with their own usefulness and design of the product and therefore they are affected mainly by manufacture. On the other hand on the factors counseling, services has decisive influence the trade (Figure 1). Optimal and coordinated consideration of success factors of enterprise foresees close cooperation between industrial and commercial companies (for example within the Category Management and ECR - Efficient Consumer Response).

Fig. 1 The cooperation model of production and trade in the market of seniors



Source: own processing

From the perspective of marketing is the generation of older people not a homogeneous group and is characterized by diverse hallmarks. To attract attention of this group must therefore be developed differentiated marketing concepts aimed at segment of seniors.

Senior marketing strategy is used when has been identified clear and distinct differences between the requirements and needs of the elderly compared to younger target groups. Then companies offer products and services specifically designed for seniors who are for this segment also separately communicated. In communication it is important to reach the target without mentioning age, it is necessary to emphasize the use of the product and the vitality of the target group. Unless there has not been

identified different needs compared to other target groups is it advisable to use *integrated marketing strategy*. In that case the company offers a mass product with universal design and universal form of communication for all ages. The advantage of this approach is that it maximizes the potential group of customers and allows achieving lower costs.

Conclusion

Global aging will cause structural changes in the economy, health care, social care, influence the labor market, education, culture and functioning of the households. On the other hand is the aging of the population an opportunity for economic growth in terms of the needs of new products. Older consumers are starting now to be an interesting target group for marketers, retailers and service providers. Discovering new business opportunities is not an easy task (Hvizdová, 2013), because generation of people over 50 years is in many developed countries timely and financially independent and is considered to be the richest generation. Therefore is this generation picky. In the environment of our economy this does not apply so far but the shift is likely to be a matter of the next generation, i.e. those who are currently around 40 years.

According to experts in the coming years will change in whole Europe the consumer behavior. People will buy mainly products and services that have an impact on improving the quality of life (Oreský, 2011). Areas such as health prevention, housing, tourism, financial services, education, nutrition and wellness centers are areas that can benefit from demographic changes.

Seniors have in product, marketing and communication strategies increasingly important role. For successful reach of this target group is important that producers and traders focus primarily on factors such as quality, comfort, advice and services. Many companies have already experienced this trend coupled with the demographic shift and have adjusted their strategies to the requirements of generation 50 plus.

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Differences in the Performance of Tourism in its Various Sectors¹

Anna Micháľková²

Abstract

Tourism is a significant economic activity able to contribute to the economic growth. The UN Statistics Division approved Tourism Satellite Accounting Methodology allows to quantify the direct effects of tourism in the territory. The impact of individual sectors on tourism performance is different, demonstrated in this paper by difference in several indicators of internal tourism consumption and tourism gross value added. Support of the tourism industries is a factor influencing the performance of tourism businesses, but it is only partially supporting the development of tourism. The need to report performance indicators of tourism is also at regional and destination level, but the border of managed territory of destination management organizations should not primarily correspond with the interests of its members, but the consumer behavior of tourists.

Key words

economic indicator of tourism, direct impact of tourism, TSA, tourism gross value added, internal tourism consumption

JEL Classification: L83, O11, R11, R58

Introduction

Measurement of the tourism performance in the territory is a complicated process, which is a synthesis of many partial methods relying on definition of economic indicators and chosen calculation methodology, relying on primary findings, estimates, and additional adjustments. It is a challenge not only for the practice but also for the tourism economy. Selection of a model appropriate for measurement of economic effects of tourism depends on a complex of factors; among others for example there is data availability, its accuracy and integrity. Klijs, Heijman, Maris, Bryon (2012) have identified 52 various criteria, which they have allocated into ten groups. One of the models is the Tourism Satellite Account (TSA), which in its methodology of reporting the economic indicators of tourism (UNSTATS, 2008) identifies tourism industries, based on which it provides a calculation of direct effects of tourism (Directive EU 95/57/EC). Countries develop TSA in order to collect basic data for reporting key economic indicators and present it in a consistent and authoritative way, using international concepts and definitions. TSA represents more than a statistical tool and framework for development of statistical system in a country. It creates a clearer picture of tourism position and evaluates more accurately its economic gain. (Dwyer, Forsyth, 2010). Since 2005, TSA has been applied also in Slovak Republic, with the most current results for the year of 2010.

TSA methodology and estimates deducted from economic relations also serve as a cornerstone for values published by WTTC. Direct contribution of tourism to GDP is reported 1.7 billion EUR by WTTC for 2013 (2.3 % of the total GDP) (WTTC, 2014),

¹ VEGA 1/0205/14 Perspective of existence of dynamic service businesses in SR, in a context of implementation of initiative rules - Innovation in EU.

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assuming a 4.2% growth in 2014 and an average of 3.3% annually, during a period of 2014 – 2024. At the same time, the internal tourism consumption represented, according to this source, 3.8 billion EUR in 2013, and intermittent consumption including import was 2.1 billion EUR.

1 Work methodology

Tourism Satellite Account offers a deep quantitative understanding of nature and structure of tourism; it also provides a foundation for monitoring performance of various tourism industries; it has represented a revolution in a way that governments measure and assess tourism (Getz, 2000). TSA is considered to be an optimal method for reporting a direct effect of tourism, composed by total internal tourism consumption, direct economic contribution of tourism, direct internal expenses in tourism, and direct internal consumption of tourism (Frechtling, D. C., 2013).

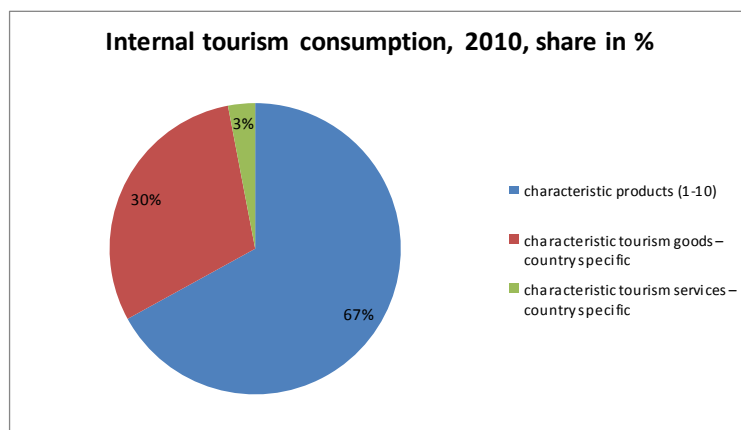
A goal of the presented paper is to assess the influence of individual tourism industries (as stated in the methodology of TSA) on reaching selected performance indicators of tourism in Slovakia. Two indicators were selected; the internal tourism consumption and the value added. Article focuses on measurement of tourism direct effects, utilizing TSA results, the secondary tourism effects are not taken into consideration. Article does not follow development of these indicators, since the TSA methodology was in a progress and comparison of values for individual years could have a lower worthiness. Comparison of TSA results of various countries that had implemented TSA also has a lower worthiness; it is accessible in a study called Tourism Satellite Accounts (TSAs) in Europe (EU, 2013). However, compared data come from different reference periods in individual countries, tables and reported file indicators are not complete and countries use various methodologies (TSA: RMF 2000 versus 2008).

Basic starting synthetic indicator of TSA is internal tourism consumption, which according to TSA methodology (TSA T4) includes internal tourism expenses and other consumption components (input rent, natural social government and nonprofit institutions' transfers to serving households). Tourism direct gross value added is a part of value added of all economic sectors, and it directly serves visitors and was established to cover the internal tourism consumption. Unlike the employment in tourism industries, (TSA T7), by purifying tourism gross value added indicator (a sum of gross value added of all enterprise units integrated into tourism industries, regardless whether their total production was supplied to visitors, and regardless of their production process specialization degree) for purposes of tourism performance reporting, it is possible to acquire directly from TSA results a value of tourism direct gross value added (TSA T6). In this paper, the attention is on a share of individual tourism industries on a creation of direct tourism gross value added. In order to be able to compare individual tourism industries and their ability to participate in creation of direct tourism gross value added, a relative indicator is selected, using internal tourism consumption indicator and produced coefficient of creation of tourism direct gross value added and its value calculated in SR and in selected European countries. Attention is also on a share of tourism direct gross value added on tourism gross value added, based on individual tourism industries. Based on these indicators, the tourism industries productivity and assumed tourism significance in individual tourism industries are analyzed.

2 Results and discussion

Based on products, TSA methodology classifies internal tourism consumption into characteristic products, characteristic tourism goods – country specific, and characteristic tourism services – country specific. Following chart shows a share of individual internal tourism consumption units based on individual consumption units in Slovakia, according to TSA results for the year of 2010 (the most current results).

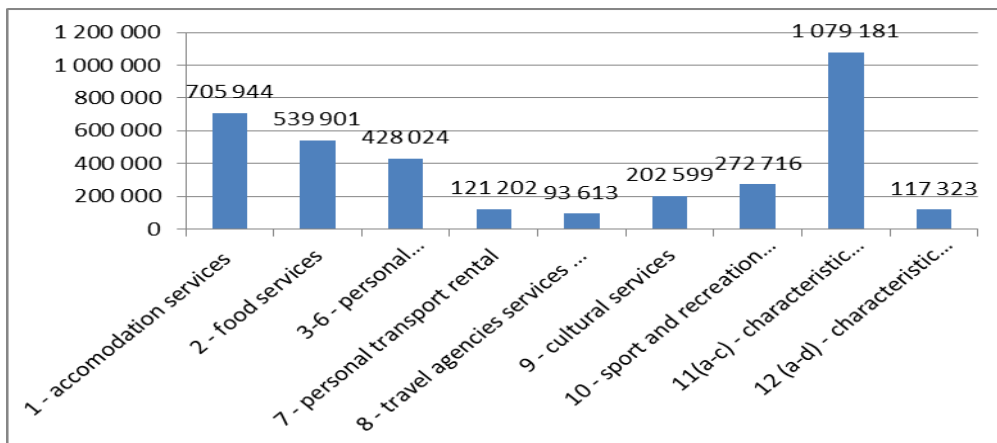
Graph 1 Internal tourism consumption in SR based on products, share in %



Source: processed based on TSA T4, TSA SR, ŠÚ SR, 2013

It is obvious from the chart that tourism consumption consists mostly of characteristic products consumption. Following chart no. 2 presents attained values of internal tourism consumption with regard to individual consumer goods for 2010. Characteristic products are segmented under individual products; their total consumption share represents 66.5 %. The highest consumption values were achieved within characteristic accommodation services products (19.8 % of total consumption), then food services (15.2 %), and the third place took personal transportation services (12 %); the lowest values were recorded by travel agencies services, and other booking and related services (2.6 % of total consumption value). Chart depicts total consumption values of characteristic, country-specific tourism goods (fuel, selected groceries, tobacco, and other selected consumer goods). Their total share on internal tourism consumption represents 30.2 %, while the highest values within these goods represents consumption of selected goods and tobacco (almost 22 % of total consumption). Overall the chart presents also characteristic, country-specific tourism services (financial and insurance services, rent of other items, personal comfort services, medical services, and other selected services) with a total share of 3.4 % of total consumption, while the highest values belonging to medical services consumption (1.7 % of total consumption).

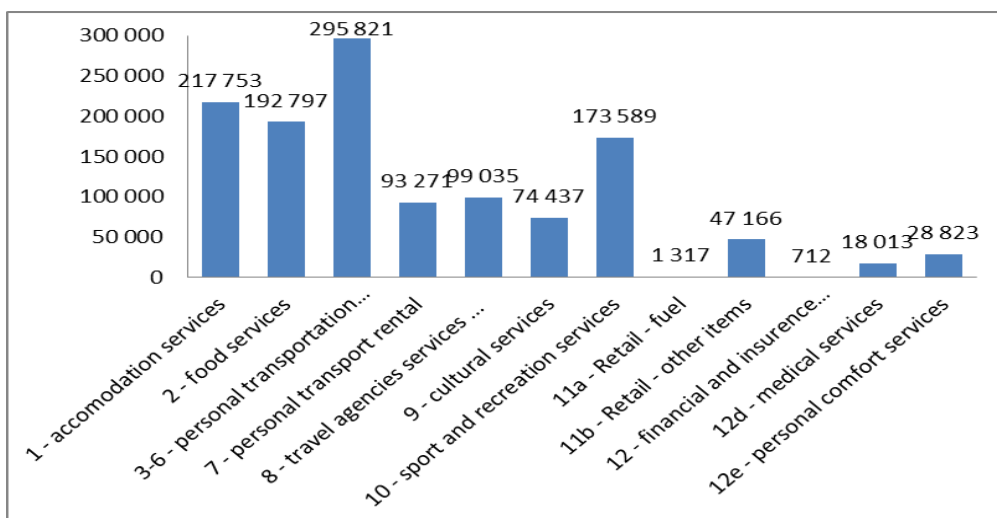
Graph 2 Internal tourism consumption based on consumer goods for 2010, in thousands of EUR, p.p.



Source: processed based on TSA T5, TSA SR, ŠÚ SR, 2013

TSA results from 2010 provide also values of direct tourism gross value added, as this indicator is defined above. The following chart presents these values.

Chart 3 Tourism direct gross value added according to tourism industries for the year of 2010, in thousands of EUR, v b.p.



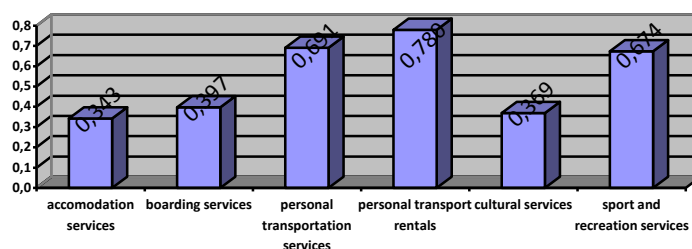
Source: processed based on TSA T6, TSA SR, ŠÚ SR, 2013

Chart captures values of tourism direct gross value added for individual tourism industries, totaling 1, 242, 734 thousand EUR (total tourism direct gross value added was 1, 594, 669 thousand EUR, while other economic sectors contributed by a value of 351, 935 thousand EUR, which represents 22.07 %). Proportionally, mainly following tourism industries were involved in generation of direct tourism gross value added: personal transportation services with 23.80 % share, accommodation services with 17.52 %, boarding services - 15.51%, followed by sport and recreation services with 13.97 % share; all of these are characteristic tourism industries. Overall, characteristic tourism

industries (1-10) represented 71.9 % share, tourism industries specific for SR - 6 %, so together tourism industries were involved in generation of tourism direct gross value added on 77.9 %. This means that individual characteristic tourism industries are not only important based on their significance in internal tourism consumption (in value expression), but also in generation of direct tourism gross value added.

If we look more closely at generation of value added by individual industries, we can calculate their attained absolute values in relation to internal tourism consumption (TSA T5, chart 5). Let's call the calculated coefficient a tourism direct gross value added generation coefficient, while we count with consumption values recalculated to basic prices. Coefficient designed in relation to corresponding industry consumption values better expresses ability of individual tourism industries to generate tourism value added. It conveys a value of tourism direct gross value added that falls on one euro of internal tourism consumption. Following chart depicts coefficient values for characteristic tourism industries in SR.

Chart 4 Tourism direct gross value added generation coefficient for characteristic tourism industries in SR for the year of 2010

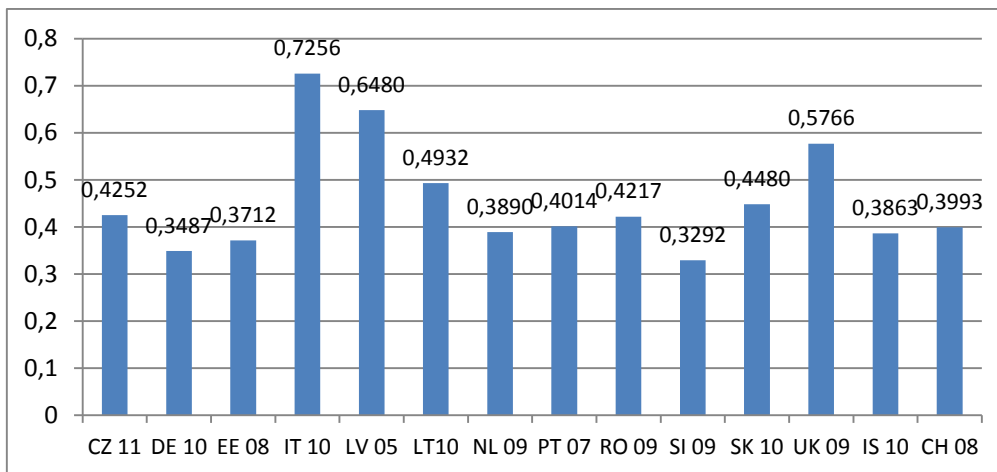


Source: own calculation based on the following data: TSA T5 a T6, TSA SR, ŠÚ SR, 2013

Tourism direct gross value added generation coefficient shows the highest value for personal transportation rental, the lowest value is recorded for accommodation services. Overall, in the year of 2010, this coefficient was 0.58 for characteristic tourism industries. It means that a little more than a half of total characteristic tourism products expenses (on the national level expressed by internal tourism consumption value of 1-10) are covered by direct tourism value added.

Based on a voluntary collection of data about TSA member countries (2.collection round), realized by EUROSTAT (EU, 2013), it is possible to calculate from accessible data the tourism direct gross value added generation coefficient for individual countries. Data used were the tourism direct gross value added data from tourism industries and other economic industries (TSA Table 6), and internal tourism consumption data 1-12 (TSA Table 4).

Chart 5 Tourism direct gross value added generation coefficient in European countries



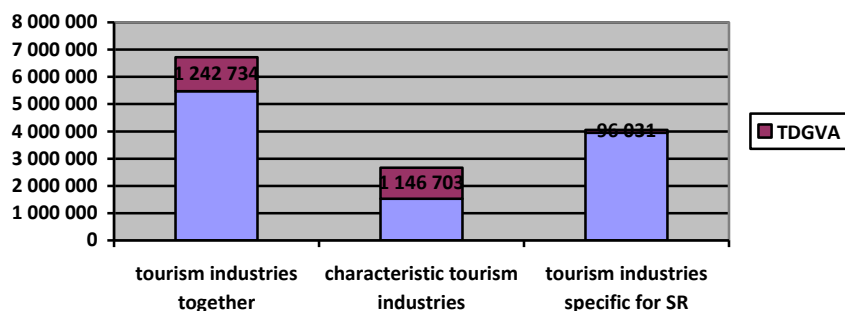
Source: own calculation based on data from Tourism Satellite Accounts (TSA's) in Europe. EUROSTAT Statistical working papers. EU, 2013

Note: Values of other European countries are not accessible, or are only partially comparable with regard to other methods used in TSA methodology. Data collection on TSA 2012 – 13.

Study presenting TSA data collection results in European countries does not offer data for individual tourism industries, therefore a comparison of partial coefficients of tourism industries direct gross value added generation was not possible.

If we follow a tourism ability to create tourism direct gross value added in relation to the total generation of tourism industries gross value added, we can see that from the total value of the gross value added generated in tourism industries (6, 719, 892 thousand EUR), the tourism direct gross value added in tourism industries presents 18.49 %. When it comes to characteristic industries, the percentage is 42.92%, and tourism industries specific for SR take up 2. 37 %.

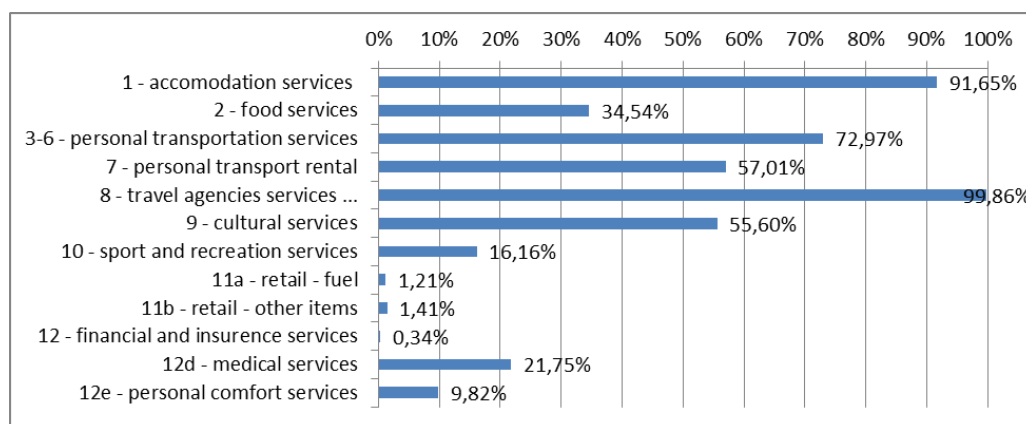
Chart 6 Generation of tourism direct gross value added in 2010, in thousands EUR, in basic prices



Source: own calculation based on data: TSA T6, TSA SR, ŠÚ SR, 2013

Following chart shows a direct gross value added share on tourism gross value added according to individual tourism industries; basically it depicts a significance of tourism in generation of tourism industries value added.

Chart 7 Share of TDGVA according to individual tourism industries in 2010, in %



Source: own calculation based on data from TSA T6, TSA SR, ŠÚ SR, 2013

It is clear from the calculation that almost complete value added in accommodation services and travel agencies services is generated in relation with internal tourism consumption, and personal transportation services are also significant in this relation. On the other hand, insurance and other financial services, fuel retail and other retail have insignificant share in generation of gross value added. Even though boarding services, for example, are in TSA methodology included in characteristic tourism services, approximately two thirds of generated value added, resulting from economic subjects' consumption, are outside the tourism consumption. So, industries included by TSA methodology in tourism industries, contribute by their production in different measures to generation of tourism value added, and to generation of value added in other national economy industries.

Basic question of territory tourism economic impact analysis is - what are the visitor expenses in a given territory? (Stynes, D. J., 2002). Expenses of tourists are a starting point for any economic indicator, based on which it is possible to monitor tourism performance, and it also presents a basis for generation of tourism value added. TSA is on a national level in Slovakia, in some countries national TSA underwent regionalization (Australia, Canada, Finland, Norway), or regional level estimations are taking place (some regions of Spain, Belgium, United Kingdom). Proposals in the regional TSA (RTSA) methodology are stated in Regional Tourism Satellite Account (UNWTO, 2013). Need to report tourism performance on regional level is high in Slovakia as well; however, this issue is connected not only with methodic, but also with financial and institutional part. Creation of RTSA would require, most of all, a modification of primary data collection methods in relation to visitor expenses based on the respondents sample size and respondents selection criteria, and, of course, a methodology modification of acquired data evaluation. Within tourism consumption we are talking, besides visitor expenses, also about facilitation of other internal consumption sections. Methodologically more demanding is the process on the supply side, mostly when it comes to recording interregional relations and production processes. Mainly tables would be considered a good tool in terms of regional reporting. These tables provide information about foreign and local visitor consumption, other accessible data could be production bills data, employment in tourism industries data, and selected nonfinancial indicators (basically, we are talking tables 1, 2, 4, 5, 6, 7, partially 10). Ratio indicators could be interesting, using database of absolute financial and nonfinancial indicators and connecting them. Indicators recalculated this way are applicable also to regions comparison and their comparison based on tourism performance.

It is questionable what territorial entity should be considered applicable for tourism performance indicators reporting. Regions in Slovakia are not tourism destinations. In their core, destinations are final destinations and visitors decide about their borders, or visitor segments decide; and this decision is obvious in their consumer behavior, expressed mainly by consumption of tourism services in different territory parts, monitored by visitor expenses for these services. So the destination borders should be set not by the interests of destination management organization member base, but by consumer behavior of visitors, monitored mainly through visitor expenses for various services in the area. In order to ensure coordinated and continuously maintainable growth, also tourism economic performance reporting in territory is more sensible in terms of such defined territory. Applying TSA methodology on regional level is an opportunity for regional politics in tourism to find decision process footing in economic effect analyses in region. (Jones, Munday, 2010). It is important to report tourism performance systematically and on regular basis. It is also required for analysis of usage of complex public sources supplied for tourism support in regions, and supplied for support of profit and nonprofit tourism sphere. „Tourism development is fundamentally driven by business. However, governments play a significant role as partners in tourism development to an extent which is not replicated in most other industries through their extensive engagement ... and through their role in managing environmental and community impacts of tourism.“ (Dwyer, L., Spurr, R., 2011).

Conclusion

In this paper the attention is paid mainly to tourism direct gross value added as one of the tourism performance indicators, and to its chosen indicators mainly in relation to internal tourism consumption and to tourism gross value added. Tourism has an 11.22 % share on gross value added of Slovak economy (TSA, Tab. 9, for the year of 2010), if we use tourism industries gross value added indicator. Tourism (internal tourism consumption) participates not only in generation of tourism industries value added (tourism direct gross value added indicator in tourism industries), but it contributes to productivity of other economic industries as well. Not all tourism industries have the same influence on generation of tourism value added. Some tourism industries are crucial based on internal tourism consumption in its value expression, or they are necessary for tourism realization and satisfaction of tourists' needs; some industries are more significant based on generation of value added. Characteristic tourism products are pivotal not only from the viewpoint of fulfillment of tourists' core needs, but also from the viewpoint of tourism direct gross value added generation in its absolute expression (in order - mainly personal transportation services, accommodation services, boarding services, sport and recreation services, travel agency services, other booking and related services, rent of vehicles for personal transportation, cultural services).

Tourism significance within tourism industries, considering tourism direct gross value added generation, is higher mostly in travel agency services, other booking and related services, accommodation services, personal transportation services, vehicles rent for personal transportation, cultural services; less significant is tourism within characteristic services for boarding services and sport and recreation services. It is obvious that tourism does not have a significant standing in tourism industries specific for SR, it is more significant only in medical care, partially in personal services, but in other services it has only a marginal significance. It is obvious from the stated facts that support, directed into tourism industries within economic and regional tourism politics, can be one of the factors influencing performance of tourism businesses, but on individual basis based on individual tourism industries, it is only a partial support of tourism growth.

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Constraints of Knowledge Management Implementation in Businesses in the ICT Sector in Slovakia

Andrej Miklosik¹

Abstract

In the past few years, many organizations have started implementing knowledge management into their organizational processes. To reach the positive effects of this implementation, they have to be aware of factors that can limit the success of this initiative. This paper deals with the identification of these factors and lists them as constraints of knowledge management implementation. Main constraints in the following areas have been identified: business & technology strategy, organizational control, information sharing culture, knowledge representation, organization structure, managerial command, and control and economic returns. Primary research study within companies in the ICT sector in the Slovak Republic has served as a data source in this analysis. Moreover, solutions of limiting the impact of each constraint have been introduced with the aim of transferring them to enablers of implementing a successful knowledge management program in any organization, not only in the ICT sector.

Key words

knowledge management, knowledge management implementation, KM implementation constraints

JEL Classification: M12, O31, O32

Introduction

Knowledge management (KM) can be defined as a systematic process of identifying knowledge, capturing, transforming, storing, redistributing and applying knowledge in business decision making and common operations. KM is interconnected with human resource management. Four key concepts that are typically interconnected, include Intellectual capital management, human resources management, knowledge management and Organisational learning (Bain & Swan, 2011). It is agreed that the implementation of KM principles can increase the business value of the company and even serve as a catalyst for stabilizing or improving its position on the market. Many authors stress the contribution of KM to creation of a unique competitive advantage (Alavi & Leidner, 2001; Bahrs – Brockmann & Gronau, 2011; Boer – Berends & Van Baalen, 2011; Kita, 2008; Miklošík – Hvizdová & Žák, 2012; Ritchie – Drew – Srite – Andrews & Carter, 2011; Rohde & Sundaram, 2011). Thus, it is necessary to know exactly which factors support and accelerate the efficiency of KM implementation (known as enablers) and which, on the other hand, prevent the company from achieving benefits from implementing KM into their managerial practice (marked as constraints).

In this articles, based on the research realized we present the outcomes regarding the constraints (barriers) of successful knowledge management implementation within companies operating in the ICT sector in Slovakia.

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1 Methodology

The aim of this paper is to identify main constraints of successful knowledge management implementation within ICT companies in the Slovak Republic. Several partial goals have been defined to support this primary goal:

1. Determine the nature of information processing and knowledge creation in these companies.
2. Identify approach of top management and key stakeholders to knowledge management implementation.
3. Analyse roots of each constraint that prevent generating benefits of KM implementation for the companies.

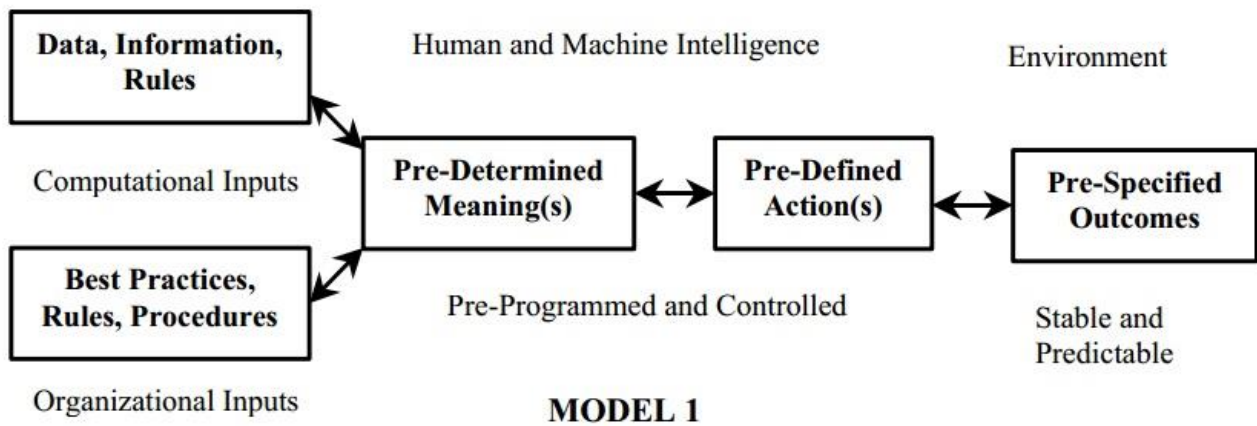
To reach the outlined aims, we studied relevant literature sources to determine results of previous results in this area or regarding similar topics. From studies published, we have selected Malhotra's work as the reference for our primary research performed (Malhotra, 2004). Malhotra created two models of decision making and information processing, which have been applied in our research to determine the character of KM activities performed in the ICT sector in Slovakia. Moreover, we used our research to identify roots of main constraints of KM implementation. We realized this primary research in the form of in-depth interviews with key managers (usually from top management) of 25 ICT companies in the Slovak Republic. All sizes of companies have been included in the research as following: micro-entities (0-10 employees): 8%, small companies (11-50 workers): 60%, medium-sized enterprises (51-250 employees): 24% and large companies (251+ employees): 8%. The research was performed in January and February 2014 and results were analysed and processed consequently.

2 Results and Discussion

2.1 Constraints of knowledge management implementation – theoretical fundamentals

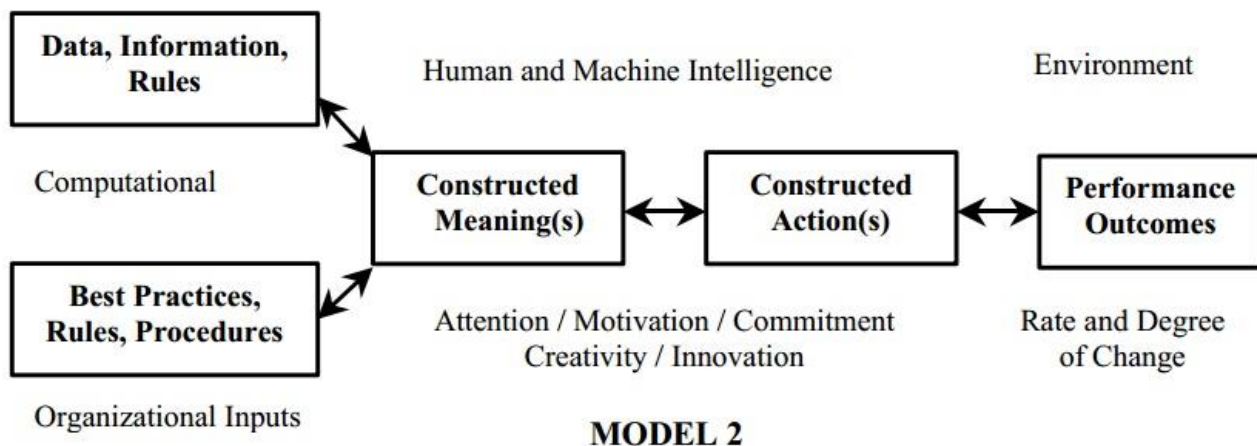
There are numerous limitations or constraints that affect the success of knowledge management implementation. An interesting study has been published by Malhotra, who created two models of knowledge management systems functionality based on two types of information processing and decision making. His two models show the process of knowledge capture, transformation and application in several steps. In model 1, knowledge management for routine and structured information processing is shown. In this model, the processing and human and machine intelligence can be pre-programmed and controlled, because the majority of information origins or is processed in an explicit form. On the contrary, the second model depicts the non-routine and unstructured sense making. In this scenario, other aspects of human and machine intelligence are stressed including attention, motivation, commitment, creativity or innovation. Both models are shown at figures 1 and 2, as they will serve as the methodological fundament for our further primary research in the area of KM implementation constraints.

Fig. 1 Knowledge Management for Routine and Structured Information Processing



Source: Y. Malhotra, p. 92

Fig. 2 Knowledge Management for Non-routine and Unstructured Sense Making



Source: Y. Malhotra, p. 93

Based on the above presented models, Malhotra identified 7 enablers or constraints of KMS that are approached differently in model 1 and 2 situations. This output is interesting because of the very nature of each factor. It can serve as an enabler (something that servers as trigger for an activity or catalyses a process or an outcome), if approached correctly, or on the other hand, it can represent a constraint and thus, limit the success of KM implementation. We list the results of Malhotra ´s work in the table 1.

Tab. 1 Enablers and Constraints of KMS: Model 1 and Model 2 Compared

Enablers & Constraints	Model 1 KMS	Model 2 KMS
Business & Technology Strategy	Pre-definition of Outcomes	World of re-everything
Organizational Control	Control for Consistency	Self-Control for Creativity
Information Sharing Culture	Based Upon Contracts	Based Upon Trust
Knowledge Representation	Static and Pre-specified	Dynamic and 'Constructed'
Organization Structure	Insular and Top-Down	Inclusive and Self-Organized
Managerial Command and Control	For Achieving Compliance	For Achieving Commitment
Economic Returns	Decreasing Returns	Increasing Returns

Source: Y. Malhotra, p. 96

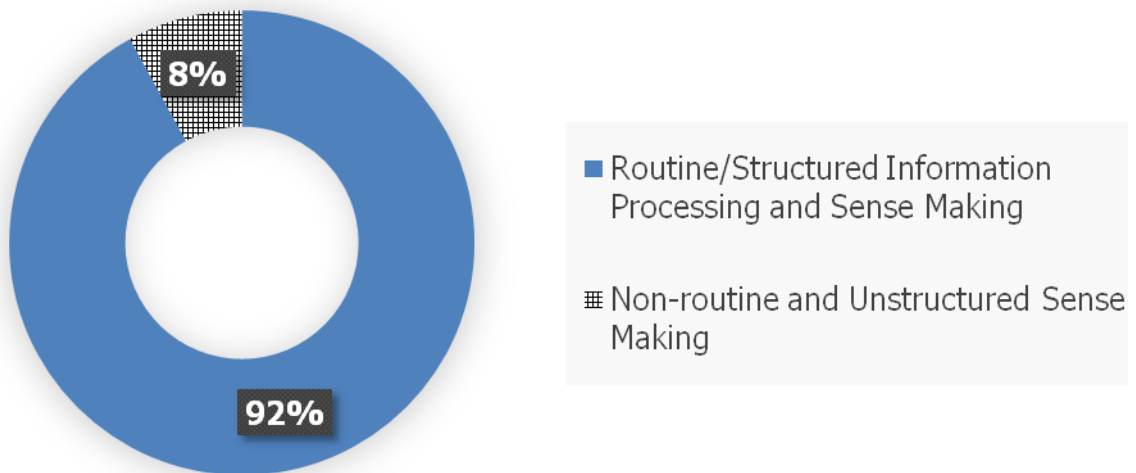
2.2 Types of companies according to their approach to knowledge creation and processing

In our research, we aimed at identifying limits and constraints of KM implementation in the practice of ICT companies in Slovakia. Thus, our approach was broader and not limited to KMS, however, we examined the KM implementation as the whole integrated process. Firstly, we asked the managers several questions to identify the nature of knowledge and its processing within their companies to categorize them into three major groups:

- Group A – companies that manage majority of information and knowledge based on routine and structured processing,
- Group B – companies that apply different approach when processing the information and knowledge on the operational and managerial level,
- Group C – companies that prefer the unstructured sense making and rely on soft skills rather than hard managerial skills when creating the KM implementation model and processes.

We are aware of the rather artificial character of this categorization, because in real world, both decision making and knowledge creation and processing models coexist in parallel. However, the aim of our research and proposed categorization was to determine, which of them is dominant in most companies. This effect will determine the overall approach of companies and their top management to the KM framework implementation. To be able to determine results of this analysis, firstly, we had to distinguish between two levels of decision making and knowledge processing when assessing the approach: the operational level, which includes day-to-day operations in the company based on its primary business and the managerial level, which includes the middle and top managerial processes and decisions. These partial results are depicted on the Graph 1 and 2.

Graph 1 Character of decision making and knowledge processing on the operational level

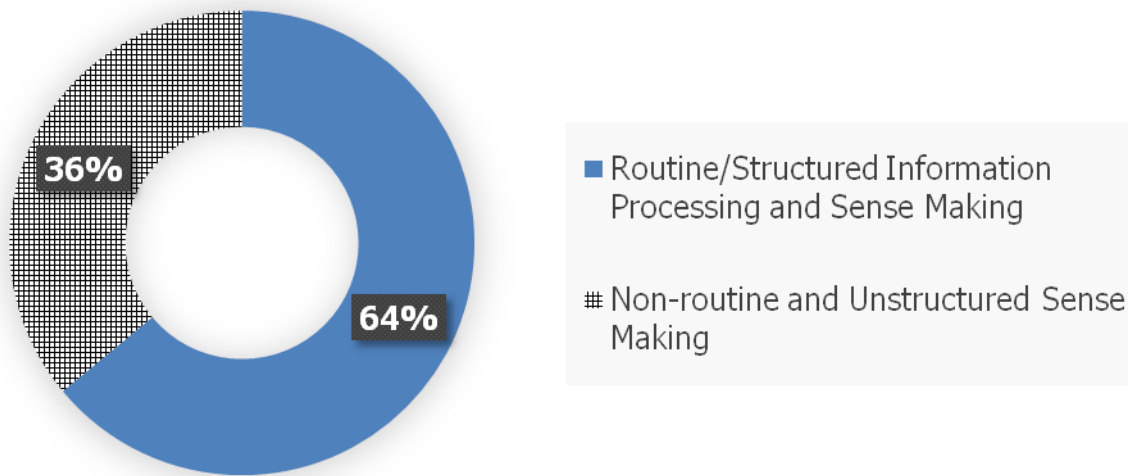


Source: own research

Base on the presented results (Graph 1) we can conclude that companies in the ICT sector in Slovakia use pre-determined processes and information processing flows on the operational level dominantly. This results was expected, because of the character of this work. For the ICT companies it is necessary that their common activities like communication with customers, product creation, design, programming, testing and deployment follows strict rules and is automated to the maximum possible degree. However, as we see from the present results, even at this level, 8 % of these companies prefer the unstructured sense making. We identified the roots for this as following: those companies were micro companies from the SME sector, they were relatively young (less than 3 years on the market) and thus, their working style and information creation and processing was unstructured, informal and sometimes even accidental. In creation of processes, information flows and even products they prefer creativity rather than following of set rules and guidelines.

On the managerial level, however, the results changed slightly. What is surprising, though, is that the ratio between routine and non-routine processes did not change dramatically. Results presented on the graph 2 show that despite of the expectations, majority of knowledge management activities and processes is still realized by routine and in a structured form. When analysing these results, one deduction of the roots of this state can be concluded. Unlike in other sectors and business segments, ICT companies are working with information in their structured form natively. They need to define processes, inputs and outputs precisely to be able to deliver the product to their customers. Moreover, managers from these companies were often promoted from professional positions like business analyst, IT architect, programmer or project manager. Thus, in their managerial style, motivation and knowledge management they tend to prefer the exact processes definition and mapping to the intuitive managerial style.

Graph 2 Character of decision making and knowledge processing on the managerial level



Source: own research

In the table 2, final results of the proposed categorization of companies into three groups are presented.

Tab. 2 Approach to information and knowledge management

Company Type	Characteristics	Percentage
Group A	Prefers structure and routine	64%
Group B	Balanced approach	28%
Group C	Prefers unstructured sense making	8%

Source: own research

2.3 Constraints of knowledge management implementation – research results

It is crucial to identify the roots of knowledge management implementation failures. These roots can be marked as constraints. They include factors that prevent the success and efficiency of KM activities. In our research we have discussed the perception of main KM implementation enablers/constraints as identified by Malhotra with managers to determine the status of influence of each constraint of the company business and KM implementation. Moreover, in many cases, we aimed at determining possible solutions in this area that could serve as a trigger for removing the constraint partially or completely. Results are presented in the table 3.

Tab. 3 Constraints perception according to Malhotra 's classification

Constraint	Perception
Business & Technology Strategy	Most managers declared that their business strategy does not define the importance of knowledge management for achieving business outcomes and targets. Thus, despite the awareness of KM benefits and importance, lack of the inclusion of KM definition and goals in the business & technology strategy can be considered as being very serious. As the effect of this, top managers do not have the drive and commitment of company investors/owners and key stakeholders and the knowledge culture is not effectively created.
Organizational Control	Lack of managers ' commitment when implementing KMS and KM principles was identified as the main reason for the existence of the organizational control constraint. First level managers often do not motivate their teams for active participation in KM processes and this participation is not being enforced.
Information Sharing Culture	Despite ICT companies often deploy sophisticated information processing solutions to their customers, it has to be argued that most of them lack a sophisticated information system that would support information sharing. This is very important as 64 % of the companies prefer structure and routine (table 2) and thus, their culture prefers sharing of explicit information via the information system. However, the information is many times forwarded via email or saved locally, thus preventing the generation of knowledge and its availability to other employees and teams.
Knowledge Representation	In this area, companies and their teams prefer static and pre-specified knowledge representation. This means that this kind of knowledge is created, however, constraint of information sharing culture has to be taken into account, as described above. As the main constraint in knowledge representation area lack of motivation and commitment for knowledge conversion can be determined. Typically, executive employees generate a lot of information and knowledge that is not being captured in any form. A knowledge sharing culture has to be introduced and maintained to secure the exchange. It is agreed, that the era of computerization and electronic social network influences the natural informal information sharing negatively. As Solík correctly notes, the electronic age of instant communication, the electronic media almost instantly transform culture, values and relationships (Solík – Višňovský & Lalahová, 2013). Educational activities, work-shops, job rotation and informal meetings within teams and even cross-teams would serve as appropriate tools for managing this problem and mitigating the effect of this constraint on the KM implementation activities.
Organization Structure	Insular and Top-Down structure is preferred in the interviewed companies. Within this hierarchy, managers on all levels are responsible and accountable for KM implementation on all

	company levels. However, they are not usually aware of this fact. Changing this attitude could serve as the catalyst for dramatic increase in the effectiveness of KM implementation.
Managerial Command and Control	Managerial command is typically strict in the researched companies. Thus, KM principles should be integrated into the managerial practice to convert this trigger into an enabler.
Economic Returns	Most of the companies are not aware of both financial and non-financial effects of KM implementation. Some of them already incorporated KM on some level, however, most of them do not have any metrics for measuring the economic returns of KM in place and thus, they are not able to report benefits of KM to the company owners. As the effect of this, their commitment for KM support stagnates, creating a vicious circle, which can be denoted as the KM implementation constraints circle.

Source: own research

Conclusion

In the presented study, we have identified numerous factors preventing companies in the ICT sector in Slovakia from achieving benefits from systematic knowledge management implementation. From our research it is obvious that despite the necessity of creating and sharing knowledge in their tacit form as well, managers and companies prefer working with structured and determined information and processes. In our article we have listed research results from study of KM implementation constraints. Moreover, we have suggested possible solutions of limiting the impact of each constraint and, ideally, transferring it to an enabler of implementing a successful knowledge management program in any organization, not only in the ICT sector.

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Economic Impacts of Travel and Tourism in Two CEE Destinations¹

Ľudmila Novacká² – Gordana Ivanković³

Abstract

The aim of this article is to present the results of economic impacts by the way of visitor exports, it means by expenditure of tourists in two CEE destinations - Bratislava and Portoroz. The success to achieve the main aim depends on the survey. In present conditions (by available data) is possible to express the total economic impact of direct incomes in the named destinations Bratislava and Portoroz. With the aim to quantify the visitor exports more clearly and more transparently, it is necessary to calculate the leakage. In our conditions is possible to count out the value of VAT and local tax. Other leakages related to import of the goods is not possible to calculate because of absence the necessary data. The same problem works in relation to the savings of the business and the state taxes. The first step of total visitor exports presented by our survey suggests the hypothesis, that multiplier coefficient could reach value more than 1.

Key words

travel and tourism, economic impacts, multiplier, leakage, tourist expenditure, visitor export

JEL Classification: D11, F4, R10

Introduction

Travel and tourism is the temporary short-term movement of people to destinations outside the places where they normally live and work, and activities during their stay at these destinations with the aim to satisfy the needs. It includes movement for all purposes, as well as day visits or excursions.

The satisfaction of the needs is only one-part view. Management of travel and tourism is based on three basic elements. It means economy, environment and social. Speaking about balance of 3BL (sustainable) we have to think that economic issues are very important. It is the reason, why every destination wants to know more exact economic impact of travel and tourism.

The theory is not new. The multiplier models presented by Keynes in 1936 are the basement for theory of economic impact generally and in the area of travel and tourism as well. Economic impacts by multiplier model had been enormously influential in macroeconomic analysis over the last century. Samuelson and other economists proclaimed the thesis, that multiplier model provides a simple way to understand the impact of aggregate demand on the level of output. (Samuelson 1998, Lisy, 2011,) Many authors do develop the economic impacts in the area of travel and tourism. They are looking to quantify the multiply effects better and more precisely. The proposal to solve

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the basic problem of leakages they express by formula. Multiplier is the share of proportion of leakages to the unit. This idea is frequent in the books of (Holloway, 2006, Page and Connell, 2006, Mason, 2008, Swarbrooke and Horner, 2002, and others. Zabajevova and Dracevova, 2005, Beranek 2013,) they discuss, relay and spread the theoretical issue of multiplier by incomes. All authors distinguish the first „direct contribution“ of Travel and Tourism to GDP calculated to be consistent with the output of tourism-characteristic sectors (hotels, airlines, tour-operators etc)., the second wider impacts of „total contribution“ and the third „induced contribution“ measures the GDP and direct and indirect employment in travel and tourism industry.

These principles are consistent with the definition of Tourism GDP, specified in the 2008 Tourism Satellite Account: Recommended Methodological Framework (Eurostat, 2013).

The methodology, applied by World travel and tourism Commission (WWTC) classifies calculations of these categories:

- Visitor exports
- Domestic expenditure (includes government individual spending)
- Internal tourism consumption
- Purchases by tourism providers, including imported goods (supply chain)
- Direct contribution of Travel and Tourism to GDP
- Other final impacts (indirect and reduced) + domestic supply chain
- Capital investment
- Government collective spending
- Imported goods from indirect spending
- Induced
- Total contribution of Travel and Tourism to GDP
- Employment impacts, direct contribution of Travel and Tourism to employment
- Total contribution of Travel and Tourism to employment
- Other indicators, expenditure on outbound travel

This methodology is applied by WWTC for analyse of economic impact of travel and tourism in the world, in the Europe, in world´s and European regions and in individual states. This is the highest level of this model. The regions inside the states or the towns have to solve the quantification of economic impacts. The basic problem is absence of the data´s, because of hard and expensive collecting. The aim of this article is to present the results of economic impacts by the way of visitor exports, it means by expenditure of tourists in two destinations in CEE - Bratislava and Portoroz. The success to achieve the main aim depends on the survey, partial aim.

1 Methodology

The success to achieve the main aim depends on the survey, partial aim. Survey created and established conditions to recognise the expenditure of the visitors in destinations Bratislava and Portoroz. Authors decided to reach foreign visitors. It was the way to express the visitor export. This category of data's present, the first step named by methodology WWTC.

The authors applied methods of primary and secondary research. The primary research was done in the year 2013 by questionnaires. Bratislava's research involved 2300 questionnaires, Portoroz 438 questionnaires. Analyse, synthesis, deduction, induction, brain storming, statistics methods had been applied in the framework of secondary research.

2 Results and discussion

Economic impact of travel and tourism by WWTC study presents economic impacts of GDP direct contribution, GDB total contribution, Employment direct contribution, Employment total contribution, visitor exports and investment.

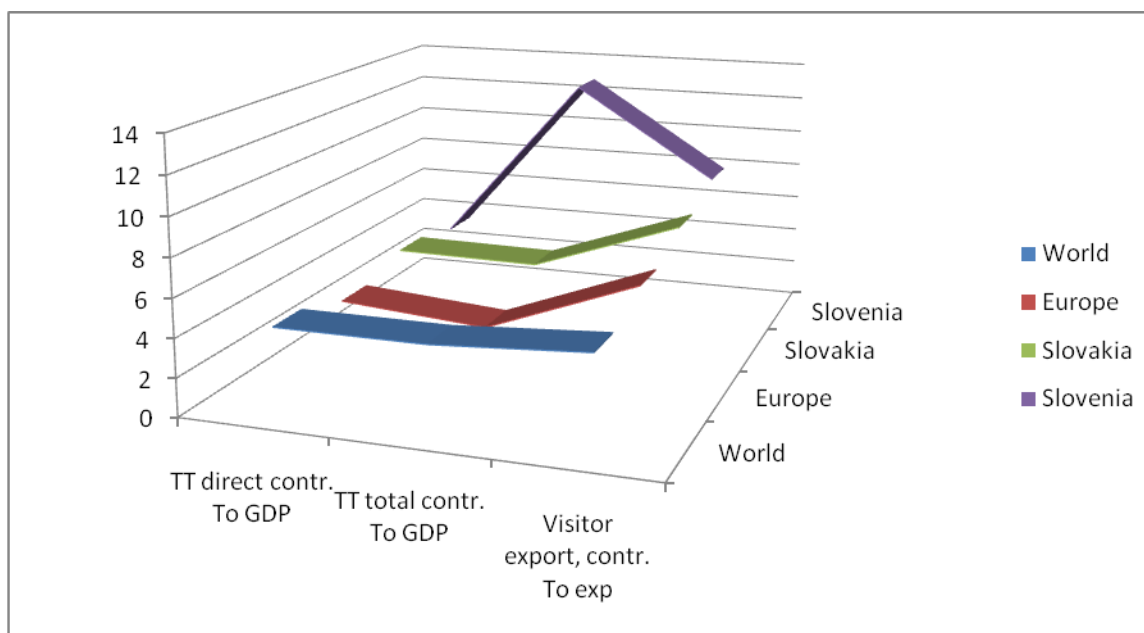
In our article we disseminate the basic data's related to GDP and visitor exports. Visitor exports are the main topic of our survey provided by authors in the destination Bratislava and Portoroz.

Tab. 1 Real growth in the year 2014

	World	Europe	Slovakia	Slovenia
Travel and tourism direct contribution to GDP	4,3	3,4	4,2	3,6
Travel and tourism total contribution to GDP	4,3	2,8	4,1	12,8
Visitor exports, contribution to exports	4,8	5,8	6,9	7,9

Source: Travel and tourism impact 2014 World, Travel and tourism impact 2014 Europe, Travel and tourism impact 2014 Slovakia, Travel and tourism impact 2014 Slovenia

Graph 1 Real growth in the year 2014



Source: Travel and tourism impact 2014 World, Travel and tourism impact 2014 Europe, Travel and tourism impact 2014 Slovakia, Travel and tourism impact 2014 Slovenia

Tab. 2 Long term growth forecast 2014 – 2024 in %

	World	Europe	Slovakia	Slovenia
Travel and tourism direct contribution to GDP	4,2	2,9	3,3	
Travel and tourism total contribution to GDP	4,2	2,8	3,2	3,4 %
Visitor exports, contribution to exports	4,2	3,7	4,2	3,0 %

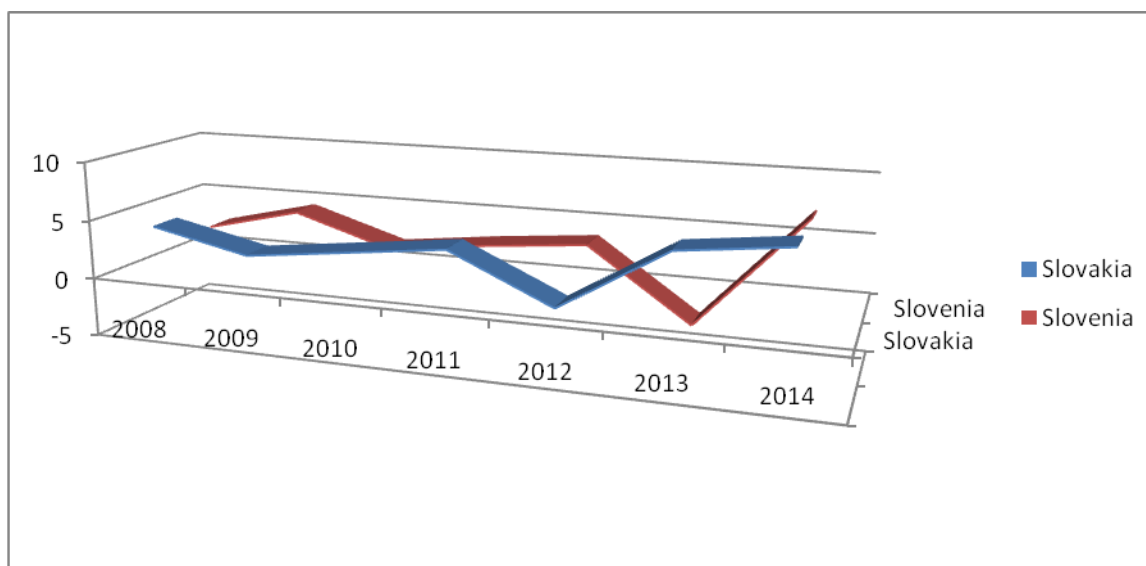
Source: Travel and tourism impact 2014 World, Travel and tourism impact 2014 Europe, Travel and tourism impact 2014 Slovakia, Travel and tourism impact 2014 Slovenia

Tab. 3 The economic contribution of travel and tourism: Growth – visitor exports in %

Country	2008	2009	2010	2011	2012	2013	2014
Slovakia	15,7	-10,1	-5,7	0,8	0,6	5,9	6,9
Slovenia	7,7	-5,2	5,8	2,1	3,6	-2,4	7,1

Source: Travel and tourism impact 2014 Slovakia, Travel and tourism impact 2014 Slovenia

Fig. 2 The economic contribution of travel and tourism: Growth – visitor exports in %



Source: Travel and tourism impact 2014 Slovakia, Travel and tourism impact 2014 Slovenia

Bratislava is the capital of the Slovak republic. The number of foreign tourist overnights in Bratislava in the year 2013 = 947 730. Portoroz is Adriatic sea cost destination. The number of the foreign tourist overnights to „Primorska“(Portoroz) is similar = 931 370.

The survey in Bratislava and in Portoroz done in the year 2013 documents the expenditures of foreign tourists, in other hand the incomes of business.

Tab. 4 Foreign tourist’s expenditure per day

Tourist flows	Total Σexp. in Bratislava excl.transport to BA	Total Σexp. in Bratislava incl.transport to BA
All foreign	111,32	167,39

Tourist flows	Total Σexp. in Portoroz excl.transport to PZ	Total Σexp. in Portoroz incl.transport to BA
All foreign	111,74	147,04

Source: survey by authors

Tab. 5 Conditions for visitor exports in Bratislava and Portoroz

Destination	Number of overnights in the year 2013	Expenditures/per day €	Total visitor exports €	Leakage VAT %	Leakage local tax €
Bratislava	947 730	111,32	105 501303,6	20	1,65
Portoroz	931 370	111,74	104 071 283,8	9,5/22	1,01

Source: survey by authors

Conclusion

In relation to named data's we can formulate the conclusion. In present conditions (by available data) is possible to express the total economic impacts of direct incomes in the named destinations Bratislava and Portoroz incompletely. With the aim to quantify the visitor export more clearly and more transparently, it is necessary to calculate the leakage. In our conditions is possible to count out the value of VAT and local tax. These categories represent the income for state (VAT) and income for the municipality (local tax).

Tab. 6 The leakage VAT and local tax

	Total visitor exports €	Leakage VAT+ local tax	Multiplier of leakage
Bratislava	105 501 303,6	22 664 021,70	
Portoroz	104 071 283,8	33 259 835,81	

Source: survey by authors

Other leakages related to import of the goods is not possible to calculate because of absence the data. The same problem is important in relation to the savings of the business and the state taxes. The first step of total visitor exports presented by our survey suggests the general hypothesis, that multiplier coefficient could reach the value more than 1.

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Customer Value Creating and Customer Profitability Modeling

Milan Oreský¹

Abstract

IT company business systems allow us to generate and store data about customers, use them for solving managerial tasks, decisions within CRM also detect the effectiveness and profitability of marketing and sales. Availability of individual customer data enables the creation of financial performance analyzing methodologies of individual customer. Customer profitability is the basic parameter that assessed customer financial value for the company. Customers have also non-financial value, which we judge from a marketing perspective. In article we discuss the parameters of customer value and evaluation of financial and non-financial customer value. We introduce own customer profitability calculation model designed for distribution channels of brewers. The created model is defending terms of managing marketing investments at customers. It allows evaluation of analytical data and draw conclusions, offers the possibility to understand, how to set the level of investment within particular marketing and financial segments.

Key words

customer profitability, customer value, marketing investments, non-financial value of customer

JEL Classification: M31, G32

Introduction

The advantage of information technology now is ability to obtain and store data about customers and use them to solve and manage various company tasks. Availability of individual customer data in real time enables the development of methodologies that processed data and offered the opportunity to analyze the financial performance of each individual customer in given periods of time.

Customer profitability is the basic parameter, considering the financial value of customer for the company. Customer, however, has its non-financial value which we judge from a marketing perspective. We do not think only about the possibility of supporting brand visibility, placing products on the premium positions, but also for example, the creating value references provided by customers or the possibility of carefully presenting the product to preserve and highlight all the quality parameters of the product.

1 Literature review

In this short section, we review the literature in marketing that develops or discusses key metrics that can be used by retailers, but we do not forget the importance of this issue for the field of B2B. We break these key metrics in the literature into seven distinct categories and give examples along with some discussion of literature in each of these

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categories. These seven categories include: *a) brand value metrics, b) customer value metrics, c) word of mouth and referral value metrics, d) retention and acquisition metrics, e) cross-buying and up-buying metrics, f) multi-channel shopping metrics, g) product return metrics.*

Each of these seven categories of marketing metrics relevant to retailers serves two main purposes. First, these retailer marketing metrics can be used for strategic and tactical marketing campaigns. As an example, a marketing manager can strategically use each customer's predicted referral value score to determine which customer to target next time period with referral incentives (Petersen et al. 2009). In addition, a marketing manager can strategically use each customer's predicted value (CLV) to determine which customers to select for a given marketing campaign that encourages cross-buying, up-buying, or multichannel shopping (Kumar and Petersen 2005). Second, these retailer marketing metrics can be used for short-term or long-term goals and predictions. As an example, in the short-term the goal of the firm may be to increase the general awareness of a given brand. Thus, the firm would try to increase the overall percentage of consumers in the marketplace who are aware of the brand in the following time period (month or year quarter).

However, a long-term goal resulting from continuous short-term increases in brand awareness may be to increase overall brand equity, a long-term metric. The questions that still remain – How does a manager link these different types of metrics to strategic goals and how can these strategic goals be linked directly to customer profitability and shareholder value? The same issues are in regard to this issue raised by many authors – Farris et al. (2009), Oresky (2011) and Rust et al. (2005).

2 Methodology

As the purpose of this article and the wider academic research project is to develop new theoretical insights to assess the impact of marketing activities on customer profitability and prepare a practical solution for cooperating company. We research positive and negative relational factors independently rather than as opposite ends of a spectrum. An exploratory methodology was employed as this technique concentrates on the perceptions of decision makers and uncovers emergent themes and ideas.

Our collaborating partner was or is still a multinational firm operating in Slovakia in the production and sale of beer. Unfortunately, in this short article we cannot present all areas of cooperation, but some detailed calculations for HORECA segment are showed.

Informant interviews and a subsequent content analysis were used to gain insight into the positive and negative relational aspects attended to by customers and their accompanying attitudes toward relational outcome variables. Incorporating the views of a multitude of heterogeneous informants representing different customer segments a better grounding of the phenomenon and enhances the generalizability of the findings. The inclusion of a content analysis is useful in identifying patterns that may exist between the variables of interest in the study profitability of customers.

Profitability model and the results shown on the score of the elaboration of the theory of knowledge and adaptation almost tailor said the production company - manufacturer of beer.

3 Findings and results – customer value, modelling customer profitability

Within the part - finding and results –are given only limited research output volumes. We focused on: a) the approaches defining financial and non-financial customer value for the company and b) customer profitability modeling; c) in our case procedures are explained for the HORECA segment; d) accurate business application is given for the selected existing customer.

3.1 Parameters to evaluate the customer value for company

The customer financial value for company

For managing the current and future customer financial value is important to have tools to quantify it for the individual customer (Matušovičová and Hvizdová, 2011). This information could be used strategically to manage the expenses of the different nature: for assessing the long-term return on marketing investments, to judge eligibility for allocation of sales promotion materials at customer (distribution partner), to reconsider the frequency of “customer tailored marketing activities” etc..

Within the models used for strategic decisions we calculate with all types of incomes and expenses to get the picture of financial performance and potential of customer portfolio linked to the total financial performance of the company. Recommendation is CLV model where all the effects are included, as well as impact of customer retention rate is inside. For operational models could be certain types of costs not included, while we must know the purpose of created model. The profitability model we develop must get manual of use, where the model is accurately described and its results are interpreted. According to the purpose and the expected profitability of different marketing tactics we could set individual offers, specifically designed for a particular customer.

Gross income is the result of the sale and it is supported by various promotion marketing activities. This applies to both producer and distribution partner, so our customer. Normally we consider an annual period within the financial year. Determination of gross income for individual customers may not be an easy task. It depends on the distribution channels of goods and services. If, there are no intermediaries within the supply chain, usually we have accurate data according the frequency and the amount of purchase and gross income customer could be exactly analysed. In the situation the products and services are supplied through the distributors the determination of the gross income (sales) becomes more complicated. If, we have limited quality of the data we provide about the distributor sales, or we do not have any data, we apply the estimation method. There are two possible options:

- Estimation of annual volume of purchase of products, then apply the price list and calculate the estimated gross income
- Customer segmentation application - we determine the average gross income for the segment using available information. For example, if a part of deliveries are delivered directly we have data about customer group, which we apply for the rest of customers within the segment. Or, we obtained good quality data from the distributor, which could be applied also for customers, from whom we do not have this information.

Both methods give satisfactory accuracy of the information. But preferred is knowledge of the data dynamics – the accuracy of the information obtained and knowledge of the potential consequences of inaccurate estimation that could be timely eliminated. The customer costs consist of several types of costs, including costs of acquiring customer. Customer acquisition costs are not repetitive in nature, are disposable and it is complicated to quantify them. In simplified dynamic model would significantly undermined profitability within the year of customer acquisition. Since we used the simplified model for the operational management of the individual customer, we do not recommend include acquisition costs into the model.

Conversely, the strategic considerations, for example in the calculation of lifetime customer value, we should certainly take into account these costs. Among the easily quantifiable costs we include: discounts and bonuses, costs of products, distribution costs and the different components of direct marketing costs that can be allocated to the individual customer. And into this group we include marketing costs of investments with long-term effects (for example investment in brand visibility at the point of sale, location of equipment, contractually agreed rental space, etc.) and for short execution time (such as marketing activities for selected product offers, time-limited sales promotion special product series, etc.).

The non-financial customer value for the company

Every customer is the “carrier of values” that cannot be financially quantified. These ones are definitely important for the company, as they are involved into the formation of customer satisfaction and loyalty, contributing to the formation of the company image and the creation of its reputation. Table 1 lists the major non-financial factors related to profitability and their common connectivity within the distribution channel of segment HORECA. As a source, we used the synthesis of best practices.

Tab. 1 Major elements of non-financial customer value

Elements of the non-financial customer value	Benefit short description
The value/benefit of customer references to other entities	It is increasing by depending on the possibility to get through customer new customers. Loyal customer is closely involved open new relationships by creating communication networks and via recommendations.
Benefit of informed client	Customer as a carrier of product information must possess information which help use product in best way and thus fully appreciate its value. In this way perceived product could become the object of recommendations.
The benefit of customer loyalty	This element reflects the extent to which customer is able to withstand pressure competition. Loyalty is higher degree of attachment where experiencing emotional ties to the supplier.
Benefit from the ability to adapt new products	Currently, this is an essential factor for the development of mutual relationship, which can significantly enriched all involved business partners.
Benefit/value of customer image	It is a passive form of affect, which is influencing the communication with other customers.

Source: own processing

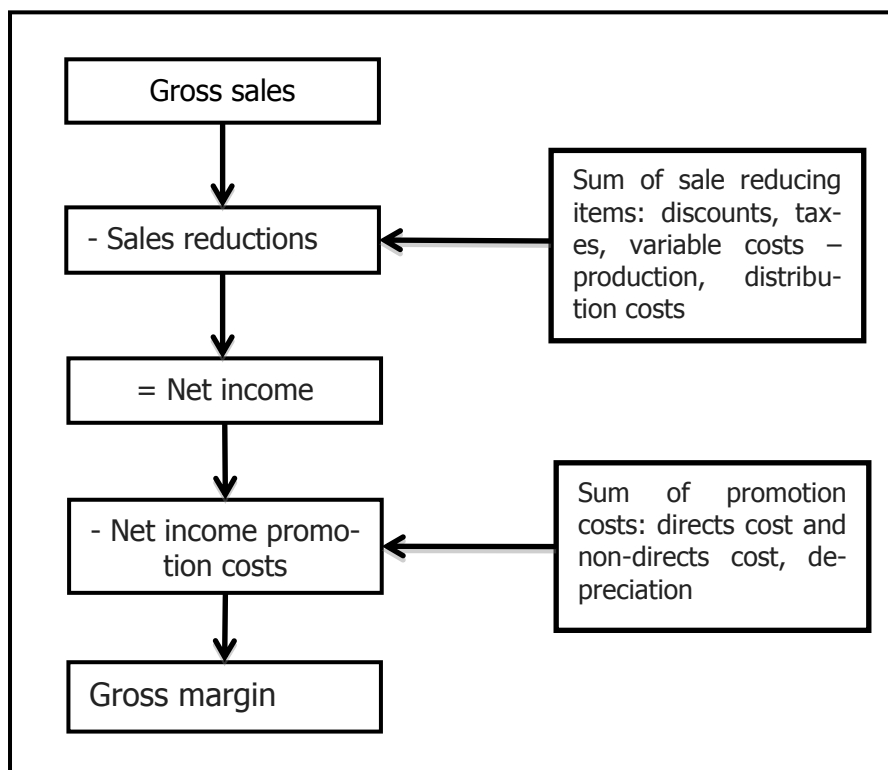
3.2 Customer profitability modelling – specifically for the HORECA segment

In the practical part, we focused on a specific part of the market and business within the HORECA segment. A similar approach as we describe in this section could be applied to other businesses selling products within other markets and offering distribution partners strong promotion support like POS materials or assets – various generators, refrigerators, etc. Also other forms of support for example the provision of services, where the number of service hours would be expressed in financial value.

Influencing sales with the customer and building a long term and mutually beneficial relationships between the customer and the company is a process that is now becoming to have more and more sophisticated design. Impact on that process have number of factors, but all of them have a common denominator, namely, to create and sustain competitive advantage over other companies operating in the same market.

Basic needs at contact with customer are information served by company systems that offer specific customer information, exactly about customer, with whom salesmen comes into contact. We suggest that key information has been reviewed is operational profitability in the previous three years period. Although the model is simple, it requires an understanding the input and output information and also presentation in easy understandable way for the office. For commercial practice it is sufficient to indicate the profit in gross margin form. Facilitation of the metioned calculation we present in Figure 1.

Fig. 1 Simplification of calculation

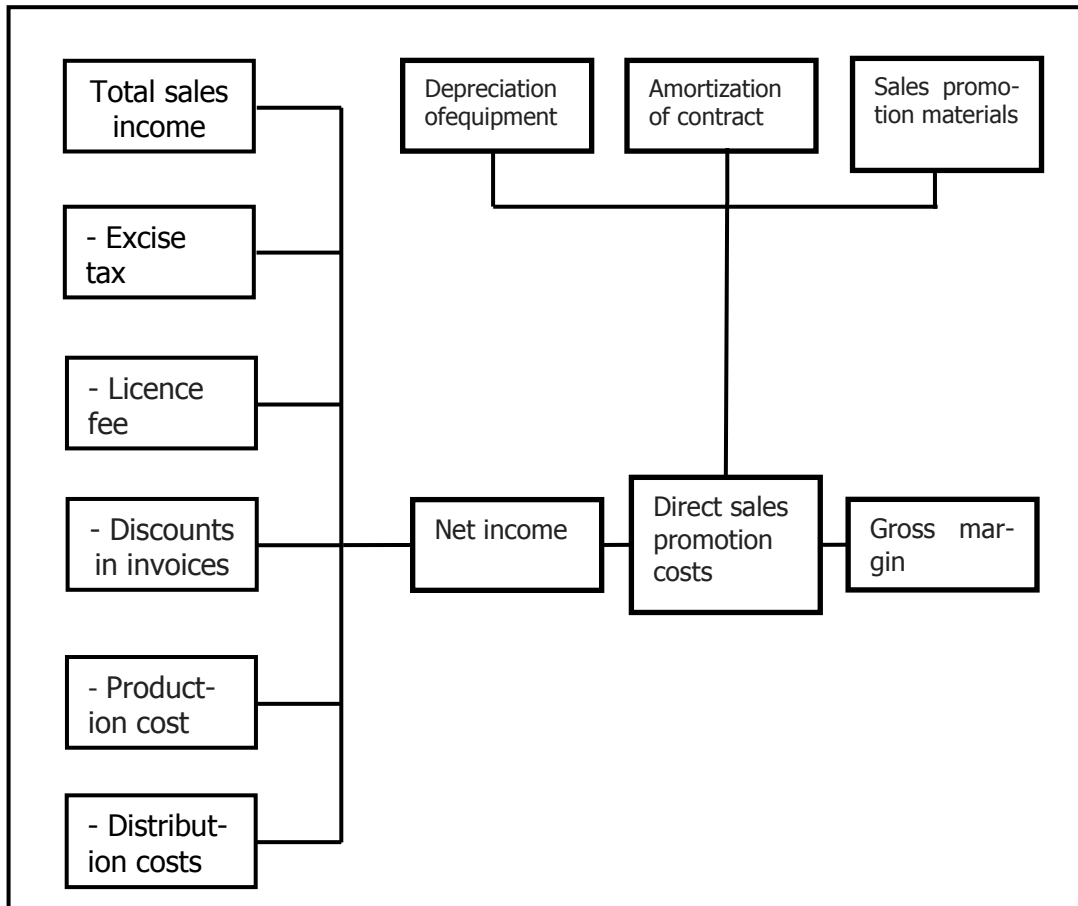


Source: own processing

3.3 The procedure for calculating the operation profitability

Calculation model for required parameters, with which we operate, is shown in Figure 2.

Fig. 2 Calculation model



Source: adapted according Mašanová, 2014

We describe the various model inputs and their relationships expressed by basic formulas for calculating the parameters. The most important parameter for model calculating is the base income, it is basic amount invoiced to the customer according the price list of products. This parameter represents starting base of calculation, because, firstly it quantify operational activity of customer for the analyzed period and secondly it forms the base for the calculation of percentages, with which we operate. It is therefore a fundamental absolute volume against which we relative all evaluated parameters.

Profit for the particular customer we calculate at the level of gross margin. This parameter does not represent the net profit. But for the purposes of practical management of data, it is a very good and usable parameter.

It is necessary to understand for what level of management we design model and how it will be handled. If you define the model for the salesman level, you need to realize what the parameters of this model can directly affect salesman work. And those must be shown him in such form that understanding is simple and applicable to his or her business decisions, which makes at the point of sale.

Those are two parameters, important at above described situation.

- The first one is the *invoice discounts*. Providing discounts for a business partner by company is managed according certain rules which are followed by their salesmen. But always within the rules, there is a range in which the relevant responsible salesman decides what discount is granted. Discounts given within the invoice are thus the first important indicator which has a direct impact on the profitability of the customer.
- The second parameter, which is set within the model, is influenced by the salesman and we are talking about the level of the direct costs of sales promotion. As with discounts, there are also applied procedural control mechanisms depending on the amount of the support granted. But, we consider, it is important the salesman understands reduction in gross margins as a result of the provision of sales promotion and also to perceive the boundaries of the support granted within certain segments, intended for particular customer. The consequences of this knowledge can be transferred into more cautious handling of entrusted funds and we expect visually inspected and available parameters lead to a more efficient manner of their use.

Knowledge of the individual correlated parameters development creates the potential for setting up the optimal values that should be running for each category of customer. Comparison of specific results achieved with optimal level of results for the customer segment or category then we can view or perceive as a "level of investment."

Salesmen by the activity affected the customer performance – as we have mentioned, discounts and the total amount of sales promotion. We stress that these two items are the tools for achieving overall sales results, in our case expressed by total income. It would be ideal if it were possible in practice to set the objectives of the salesman based on gross margin. It is not possible, or not recommended, because in the model we use certain simplifications, and the overall calculation would be less operational and cannot be used to track targets. For the purposes of monitoring the total amount of sales, therefore we use tracking net income, calculated by the following example (see also Figure 2):

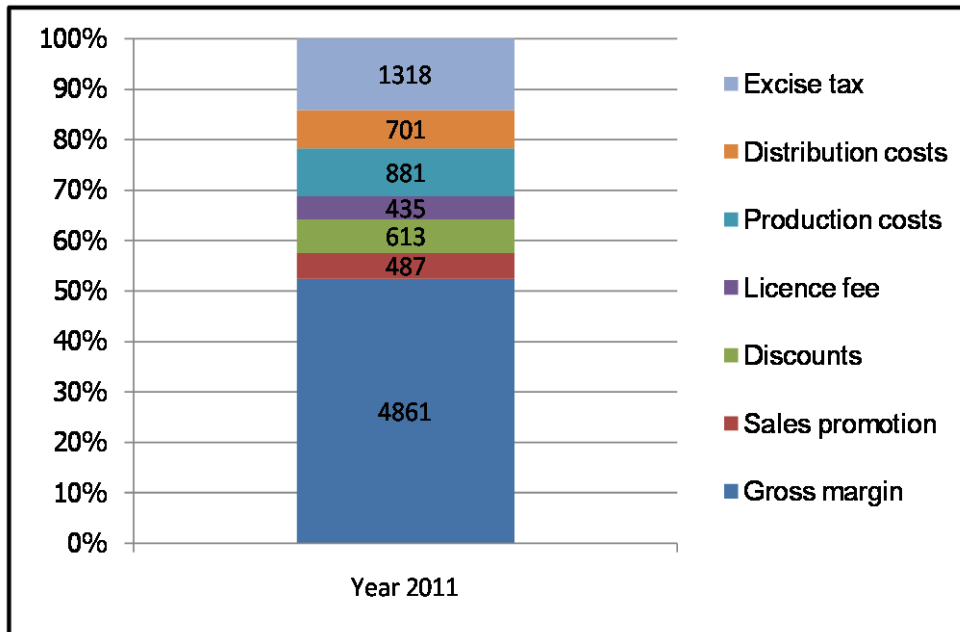
$$\text{Net income} = \text{gross margin} + \text{sum of sales promotion costs}$$

When measuring the total volume through net incomes, there are excluded costs for sales promotion and therefore it is essential that the objectives for the salesmen consists control parameter for these costs in a different way. In summary, as commercial team must follow these objectives:

- Volume of total net income
- Keeping certain level of discounts within invoices (sales and financial policy)
- Keeping level of sale promotion support (customer investment strategy)

The aim of the report which is the key model output is to present information in form that is easy to read and use. Graph 1 displays base structure of parameters in the customer profitability model. The used data are real from practice, but do not related to section 3.5.

Graph 1 Structure of parametres in the customer profitability model

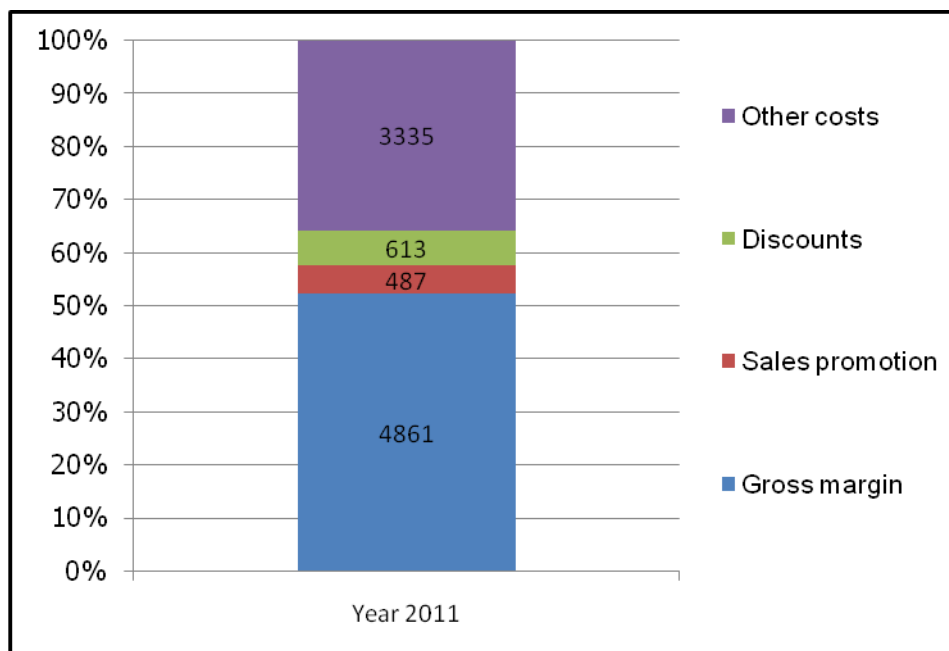


Source: own processing based on Mašanová, 2014

Displaying all the model parameters would be too complicated and opaque therefore we propose cumulate some cost components and named it as other costs (these are quite important costs, but for our purposes we can name them only – other costs).

$$\text{Other costs} = \text{consumption tax} + \text{distribution cost} + \text{production cost} + \text{licence fees}$$

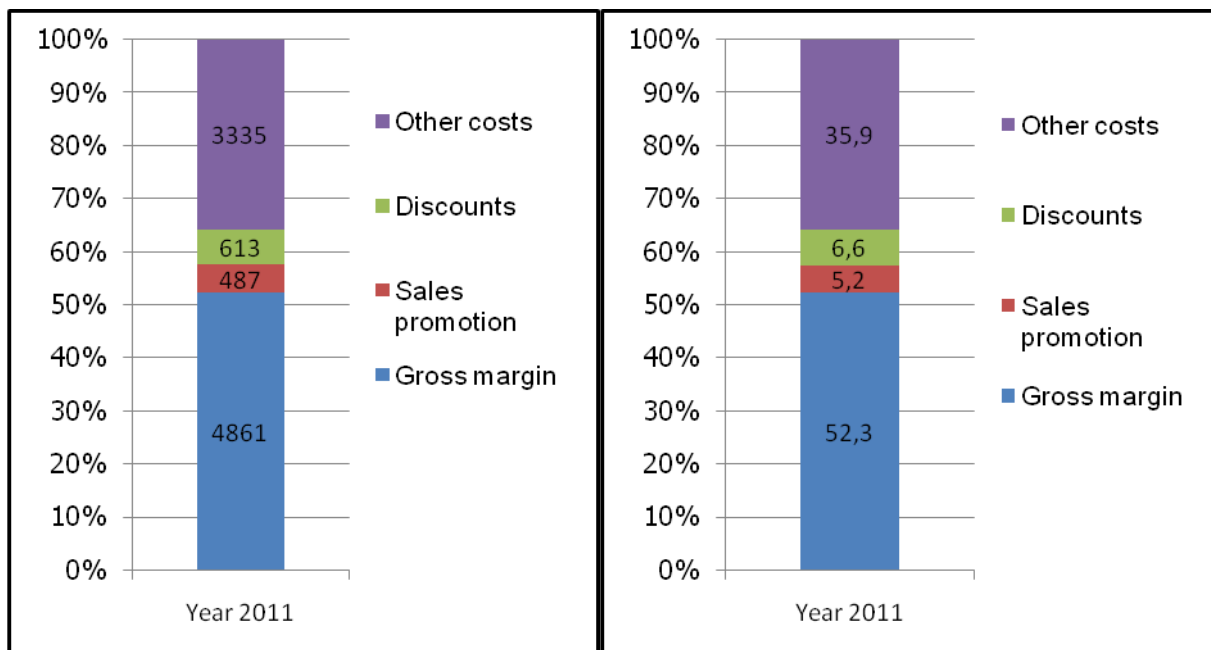
Graph 2 Structure modification of parametres in the customer profitability model



Source: own processing

Thus we come to the simple view when working with four parameters that give us the picture of the performance requirements. Other costs which can not be affected by the sales a representative is needed only complete the picture of the overall achievement of the basic income. To assess the optimal level of discounts and sales promotion support is easier to express them through a percent of sales to the base income. This way we come to the platform where we can work with a target value of discounts and sales promotion volume. Graph 3 displays profitability structure in absolute volumes and in percentage.

Graph 3 Profitability structure in absolute volumes and in percentage



Source: own processing based on Mašanová, 2014

In this view, seesalesman net sales and discounts. Actually he or she sees how much is reduced net sales by providing some specific discounts. Sales promotion support expressed through percentages to the base sales of the customer can be seen by sales representative in the context of the overall sales performance. Since this indicator conceals a number of components, it is giving a complete picture of the results of past investments in operation, but also shows about whether there is potential for further investments to support customer performance.

We note that this indicator represents the investment provided by renting equipments (f. e. draft equipment), the external and internal materials for better brand and service visibility and all materials to promote sales. But also partial costs of contractual obligations, for example, rental of advertising space in use to build visibility of brands.

3.4 Scenario for the selected customer – application in practice

Selected customer – we name it “Slovak Restaurant” - is located in a busy place in the town with more than 20,000 inhabitants. Consumers are mostly from the surrounding area and restaurant has been operating for more than 10 years in the same place. By marketing classification it is customer with low image and high sales. Salesman declares that the business relationship with the customer is built up and there is no risk of leaving from the side of customer. We are aware, that this example is very simple, but we want to show the possibility of application of the proposed model.

Tab. 2 Operating profitability customer report

Customer name	Year 2010	Year 2011	Year 2012	Year 2013
Sales in hectolitres (hl.)	186	221	182	
Net income	9 117	10 095	7 432	
Discounts	10	930	1 640	
Sales promotion costs	1 156	1 268	867	
Discounts in %	0,1	4,8	10,3	8,4
Sales promotion in %	7,3	6,6	5,4	4,3
Gross margin in %	50	46	41	41
Customer marketing category	C	C	C	C
Customer financial category	L300	L300	L200	
Target discounts in %	2,0	2,1	2,2	2,2
Sales promotion target in %	5,5	6,0	5,5	5,5
Net income index, in %		+ 10,7	- 26,4	
Discounts			Superior	
Sale promotion			Slightly below the target	
Potential for customer support, in %			- 8,0	
RESUME			Overinvestment	

Source: adaptation according Mašanová, 2014

The report contains comprehensive information on performance requirements for the past three years and at the current year, it provides a relatively important indicators used to monitor key targets for the customer. Indicators during the year are evaluated at the end of each month and always represent data from the beginning of the period.

Short comments: rows – customer marketing category and customer financial category are outputs of marketing customer evaluation (financial category is connected

with the sales volume in hectolitres). Critical judgement is about year 2012, we see much higher discounts as target level, sales promotion support is slightly below the target. But resume is – over investment – due to the negative development of net income index, which is minus 26,4. There is an indication of necessity to re-evaluate operational marketing activities at the level of salesman and also at the level of strategic marketing investment. Supplier have to work more carefully with discounts and to go deeper with analysis in this area. We consider, special attention must be placed on sales promotion costs. Comparing the level of sales promotion costs during three years (2010 - 2012) and the result in net income, the final evaluation is not good.

Conclusion

We emphasize that this approach to modeling customer profitability aims to link to the CRM. Some procedures would probably accountants and financiers assessed differently, but this modeling is intended for commercial activities.

What is important to note at the end. We stress these recommendations:

- Customer profitability modeling may share common principles, but each company must adapt or create own tailored-made model of the customer profitability;
- There must be taken into account differences between various customer segments, customer groups and, of course, group of key account customers;
- Application of the model must be suitable for the current IT technologies. Vendors and salesmen are working in the field and they must have the customer information available online at the customer.

Although process of customer profitability modeling appears to be complicated in relation to the required information, to intensity of methodology and to implementation into practice of commercial activities, this approach is gradually becoming a standard management tool.

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CEE must Take a Closer Look within and Explore Trade and Investment Opportunities Eastwards

Owen Fernandez¹ – Johan Winbladh²

Abstract

The momentum of global economic power is slowly but surely shifting from West to East and from North to South. Keeping this in perspective, the markets of CEE thus offer an attractive potential for internationally minded businesses. While the region as a whole is seen as a single market, there are challenges in terms of penetration and long-term sustainability to bolster trade and attract investment. The key element of growth for the region will be to continue creating a favorable environment within, to attract investors, while looking to partner with other fast emerging economies outside, preferably eastwards to India and China among others. This paper will not only focus on the prospects of growth but will also highlight obstacles that need to be overcome to sustain that growth and support businesses in the long-run.

Key words

growth, sustainability, trade, potential

JEL Classification: F18, O11, R11

Introduction

Two recent events that took place in June 2014 need a closer introspection from the economic and trade points of view. The “India Show-Poland” (2014), an initiative of Ministry of Commerce, Government of India, and organized by EEPIC India to gain access to the fast growing markets of Central and Eastern Europe was held in Poznan (Poland) from 3-6 June, 2014. India was declared as the “Partner country” for the show and around 125 Indian companies participated at the event. On June 9, 2014, a Ministerial Conference of China and Central & Eastern European country was held in Ningbo, east China's Zhejiang province. All 16 CEE countries took part. The two sides agreed to lower trade barriers and promote more investment from China. CEE countries are seeking to increase their export to China and China want to increase its Foreign Direct investments into CEE (Xing, 2014). Post elections, India is also trying to lure CEE investors and looking at it from a different trade perspective (Svobodova & Fernandes, 2014).

Even though Central and Eastern Europe (CEE) is a small part of EU's total economy it is of huge interest for China and India. The reasons include the relative ease of doing business and cost of doing business. China and India are important markets for the whole EU due to sheer size of their economies. CEE countries like Slovakia, Czech Republic, Hungary and Poland are manufacturing heavens with lower labor costs and a less rigid labor market compared to Southern and Western Europe. The methodology used for the paper is based on data and research collected from research articles written by expert analysts in magazines, newspapers, internet literature and statistics, information consistent of EUROSTAT, IMF and others databases.

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1 A brief recap of CEE journey

Up to the financial crisis of 2008, the CEE region was considered to be among the fastest growing regions. According to McKinsey Global Institute, since the crisis, CEE region - like other parts of the world - has struggled to reignite growth. It states that CEE economies need to adopt new approaches that can further develop the region's many assets and restore rapid growth (MGI, 2013). Until recently, the region was seen as a clear winner in the globalization process. The Challenges of Globalization and the economic power shifts have changed the dynamics. According to a PwC contributed article, the region not only needs to continue to close the development gap with Western Europe, but also to compete globally. For which, it states, a growth strategy that creates, attracts, encourages and support and supports successful businesses would be needed (Economic Score Card, 2013).

2 China - A formidable partner

The last two decades have visibly shown different development paths for CEE and China. While countries of CEE quickly integrated their economies with the internal EU market, by means of accession, China on the other hand followed reforms, joined the WTO, merged and benefitted by the Globalization euphoria (Chen X, 2012).

Bilateral trade had been increased substantially between 2003 and 2012. According to Ministry of Commerce of China (MOFCOM), China's export to EU increased 4.6 times, and import from EU also increased almost 4 times (Chen X, 2013). See Fig. 1. The trade volume between China and EU between the same periods also increased 4.3 times. Since 2004, EU has been the biggest trade partner of China.

Fig. 1 China's Trade with the EU 2003-2012, in billion USD



Source: MOFCOM

China is EU's second largest trade partner. China is number one for imports and number three for exports. United States and Switzerland is number one and two for exports. Imports have been growing with 6.8 % and exports with 15.8 % over the years 2009-2013. The trend shows an increased interest in European good and higher purchasing power of Chinese consumers. The EU exports more agriculture products than it import. However the EU imports more industrial goods and manufactured goods. 96% of EU's imports from China belong to the manufactured goods category. For China the EU is its largest source of imports and second largest market for exports after the US. Overall the EU is China's largest trade partner.

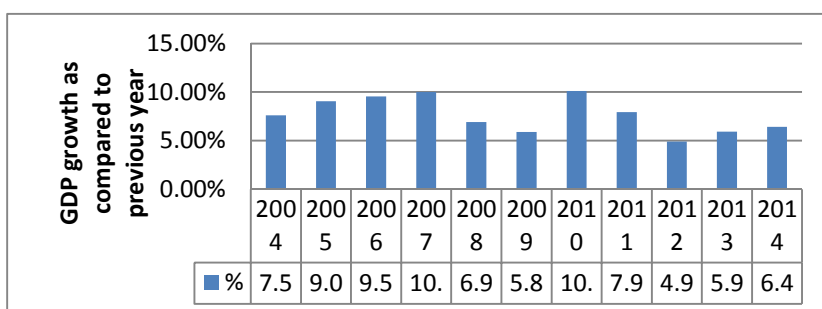
An un-proportional large share of the import to EU arrives in the CEE countries possibly due to old ties from the communist times (Pencea, 2013).

There is one more plausible reason the large numbers of third party logistics providers as well as re-export and Entrepôt trade. Where goods are finished or repacked. An example from is Samsung in Slovakia that receives phones from China by air-transport by the pallet in bubble wrap only. The packaging is done in Slovakia for all European markets. We have not researched the size of the impact of third party logistics providers, re-export, entrepôt trade etc. But we know that Samsung imports electronics for the European market through its subsidiary in Slovakia. In the Czech Republic and Poland Foxconn, the world's largest electronics producer, run operations leading to import of components and finished goods made in China and elsewhere. As said we have not researched the impact.

3 India - A resurgent economy

A decade ago, the country with an Annual growth 10% (see Fig. 2) was on its course with the attention of the world on its progress. Even during the financial crisis, India did reasonably well albeit slow and seemed destined to rival China. Incompetence at the center, poor governance and red tape followed by a flood of huge corruption scam and scandals in the defense, energy and IT sector blocked growth creating insecurity among investors. Add to the fact that high inflation led households to buy gold, shifting money away from the banking system where it could have been productively employed (The Economist, 2014).

Fig. 2 India: Real gross domestic product (GDP) growth rate from 2004 to 2014 (compared to the previous year)



Source: IMF, Statista 2014, figures are estimated.

Records of the past indicate that India has had very limited economic and political interests in the CEE region. In stark contrast to China, it has not focused on developing a strategy for the region. India uses more diplomacy through the United Nations Security Council for advancing its economic interests (Svobodova & Fernandes, 2014). According to Minister of State, Mr. Sashi Tharoor, the India EU Strategic Partnership, which has come under serious strain in the recent past, mainly because of EU's pressure to cover human rights provision into a free trade agreement, through trade engagement with CEE, could come as a relief favoring trade over politics (Tharoor, 2014).

The European Union recognizes India as an important trade partner and an emerging global economic power, while the country represents a sizable and growing market of more than one billion people, the European Commission writes on its website. In the last 10 years the value of EU-India trade grew nearly 3 times while EU investments in India more than tripled. Trade in commercial services tripled during the same time period (FICCI, 2014).

4 What makes CEE attractive?

CEE countries have created a business friendly environment that supports growth thus creating attractiveness for international and domestic investors. Each CEE country has different competitive advantages and must continue to base policy on its advantages in order to be attractive, sustainable and promote growth. PwC, in a comprehensive report in association with the British and Irish Embassies has developed a scorecard with five key determinants for growth (PwC, Economic Scorecard)

- **Access to Markets Index** – access to global markets and domestic market dynamics;
- **Resources for Growth Index** – assessment of the three main assets that can be transformed into value added: people, capital, and knowledge;
- **Cost Competitiveness Index** – ratio between the cost and the quality of labor;
- **Growth Sustainability Index** – financial, political and environmental sustainability of rapid GDP growth;
- **Business Environment Index** – assessment of institutions, tax system, infrastructure and overall transparency of the economy.

From the report a few conclusions could be drawn. All CEE countries have full access to the world's largest market, the inner market within the EU, through EU membership. EU in turn has well-established agreements with the rest of the world thus giving CEE an advantage over emerging markets. Accesses to global markets are better than for Southern Europe and just slightly worse than for Northern Europe. Top performers are Poland and Slovakia. In the bottom we find Hungary, Croatia and Slovenia. Attractiveness for investment is higher than Northern Europe and much better than Southern Europe with its current troubles. Resources for growth are also higher than for traditional emerging markets, including people, capital and knowledge. Best performers are Czech Republic, Poland and the Baltic States. On the knowledge front the score is behind Northern Europe in knowledge, but better than Southern Europe.

When it comes to cost and competitiveness the CEE outclasses both Northern and Southern Europe. Best performers are Romania, Bulgaria, Poland and Hungary. On the financial sustainability aspect Czech Republic and Slovakia scores best. The banking sector is stable in all CEE countries except Slovenia. The region is behind Northern Europe but ahead of Southern Europe.

In business environment taxation is a crucial issue and Bulgaria, Romania and Slovakia offers the lowest taxes. Infrastructure is good in Czech Republic, Hungary and Slovakia, but still behind both Northern and Southern Europe. Transparency is best in Czech Republic, Hungary and Slovenia but Slovakia and Poland are not far behind. Overall, CEE scores below Northern Europe in all but taxation.

5 Why Central and Eastern Europe is of high interest for India and China?

The Euro sovereign-debt-crises and CEE's growing importance as its growth outpaces that of Western and Southern Europe has led to a greater interest in the region. The relationship between EU and China has been developing fast in the last decade's years and EU is a larger trade partner for China than United States. Nevertheless the relationship with Central and Eastern Europe have been lagging behind. China is facing the challenges of sustainable development and along with the "Go-Out Strategy" China is searching the destination for its investment. The traditional relationship and new common interests could bring China and CEE countries together to further enhance the trade and economic cooperation (Chen, 2012).

The first Economic and Trade Forum between China and CEE was held in Budapest in 2011. The Chinese Prime Minister Wen Jiabao visited Poland in April 2012. He promoted twelve measures of pragmatic bilateral cooperation including a 10 billion U.S. dollar special line of trade credits (Millner, 2012). Since then, China has sent more than 30 trade promotion delegations to CEE. Holding such regional economic summits is the right step to examine the existing opportunities for trade and investment and push for closer cooperation (Kugiel, 2013).

The main features of the cooperation are pragmatism. The aim is to create a win-win business, trade and economic situation for China and the CEE countries. Strategic and political cooperation is of much lower interest. Moreover the EU is a more appropriate forum for political and strategically cooperation (Liu, 2012).

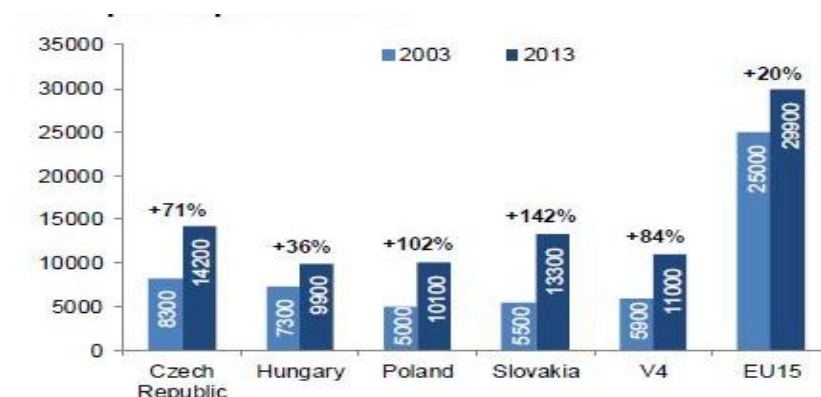
Hungary has been the leader in promoting cooperation with China. Furthermore Hungary and Slovakia and have not critiqued China for human rights violations. For Poland and Czech Republic human rights issues have been of greater importance and their critique of China in regards to these issues have been harsh. Interestingly this has not hampered the pragmatic cooperation. On the political front, Hungarian premier Mr. Viktor Orbán's less than perfect standing with the EU have shifted the focus towards Poland (Verseck, 2014).

For India, two decades of stable economic growth have made CEE richer and more attractive as an economic partner. The new EU Member States have quickly recovered from the 2008 financial crisis and are now among the fastest growing economies in Europe. A look at the graph (see Fig. 3) below shows that the GDP per capita in the V4 nations of CEE have outclassed the EU 15. GDP per capita in EUR outperformed old EU15; it more than doubled in Poland and Slovakia (Jedlička et al., 2014). With a population of over 100 million, a relatively cheap but skilled labor force, and a strategic location

between Western and Eastern Europe, the region automatically selects itself as a top FDI destination (Svobodova & Fernandes, 2014).

It is the totality of factors, institutional, macroeconomic, such as EU membership, state owned companies to be privatized, investment incentives, quality and cost of labor that creates the attractiveness of CEE for Chinese investors. Lastly historical background and political aspects play an important part in Chinese overseas investments (Mraz & Brockova, 2014).

Fig. 3 GDP per capita in EUR



Source: Eurostat, Erste Group Research

India being a pioneer in Democratic reforms, the same now seen in CEE will go a long way in strengthening common values leading to better trade relationships and cooperation. Also India may not be too happy seeing China taking an upper hand, as it recently announced its ambitious economic offer for CEE, including \$500 million credit lines and a plan to double bilateral trade by 2015 (Szcudlik & Tatar, 2011).

6 Why looking east makes sense for Central and Eastern Europe?

CEE countries now have begun to realize and recognize the significance India's and China's huge market and may want to balance their trade deficit and attract more investment. Moreover it also may look at minimizing risks through transcontinental trade, looking for new partners outside Europe (Svobodova & Fernandes, 2014).

Hence China thinks it is urgent to invest in CEE given that the window of opportunity may soon close when old EU is back on track and the sovereign debt crises are over. China sees the opportunity strategically important only if it gets a foothold in the region (Liu, 2013). Moreover manufacture from the region will have an easier access to Chinese markets. An example how CEE can be used as an entry point to the whole EU is Qoros Automotive who started selling their Chinese made cars in Slovakia as only market in the EU Another example is Great Wall Motors who started to assemble cars in Bulgaria.

India will look to introduce new structural reforms and try to boost innovation in areas such as technological cooperation, biotechnology, and education, in addition to the traditional sectors of agriculture mining and power which is the key to its economy. A classic example can be cited in the energy sector. Both India and much of CEE economies

are based on coal as the main raw material. A closer cooperation in energy efficiency and in renewable and alternative sources of energy could be beneficial for both sides (FICCI, 2014). There could be many other areas of common need, but more research is needed to examine the existing complementarities and the most promising areas of cooperation.

Deloitte in cooperation with the Confederation of Indian Industries (CII, 2014) came up with a detailed report which shows the relative comparative advantage enjoyed by the Indian industry vis-a-vis that of the CEE trading partners. The same report shows the following Indian industries, among others, which enjoy a greater competitive advantage relative to their counterparts in the CEE countries:

- agricultural products like sugar, coffee, spices etc.,
- pearls and precious stones,
- minerals,
- computer and information technology.

On the other hand, the following industries in CEE, according to the study enjoy a larger competitive advantage than the counterparts in India:

- machinery,
- automobile,
- pharmaceuticals.

In the analysis, it is clear that the Indian economy as whole has a strong hold on the primary sector industries and the services industry, with the CEE economies more dominant in the industrial and manufacturing sectors. Thus both sides could see each complimenting and boosting trade and cooperation.

7 Challenges

The CEE is not a homogeneous group and each country competes with each other. Henceforth pragmatic trade and business relations are to be preferred over political and strategically cooperation (Caira, 2010). Still given the benefits of deeper economic ties with China the process will continue and we will see more Chinese investments into the region.

Despite of the high growth rate of the trade volume between China and the EU, neither side has had made adequate preparations for the dynamics of the bilateral trade and no efficient mechanism has been set up to lead the trends (Chen, 2012). In the future next ten years, China should try to transform the approach led by the EU, shift the passive status in the bilateral trade agenda, place more focus on substance instead of forms, and to construct a new way of thinking on China-EU economic and trade relations.

On the CEE side there could be apprehensions and possibly fear of increased competition from India, especially in services and the movement of professionals (Kugiel, 2013).

Conclusion

From the CEE point of view China and India are of vital importance both as export markets as well as for import and direct investments. Both regions have tremendous opportunities to enhance their trade and investment relations and benefit significantly. Setting up a business and investor – friendly environment is the key to both regions.

The CEE countries have implemented an Open to the East policy. China's going global strategy fits CEE's desire for foreign investments. India's new government will look to consolidate and prove a point or two. Moreover the ease of doing business, including labor law, strength of labor unions as well as taxation favors CEE over Old EU as a foreign direct investment destination.

The pressure on the new Indian government is huge and there lies a window of opportunity for CEE countries and the world at large. The New Indian Government's vow to breathe fresh life into the faltering economy by focusing on infrastructure, boosting investment, reforming the tax system and rationalizing interest rates can be attractive to CEE as well.

The CEE has a cost advantage and a tax advantage over Northern Europe and Southern Europe. The region is overall attractive for investments. The best policy for CEE is to improve the business environment and the ease of doing business to stay competitive. Given the facts above it is not hard to understand the attractiveness of CEE for China and India and vice versa.

Given the current trends and political will it is likely that the economic ties between CEE and China as well as India will continue to grow stronger and trade will increase. CEE is a small market for giants like China and India. However CEE is an access point to the whole EU internal market. For CEE, India and China, are of great interest due to the sheer size of their markets.

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Cost Controlling and Profitability of Enterprise in Tourism

Mária Pachingerová¹ - Martina Lipková²

Abstract

Cost controlling is an important tool to achieve the profitability of enterprise in tourism. Many analytic methods deal with the issue. In this paper, I focus on one of them – the analysis by identification of the break-even point (BEP) that has its particularities in the enterprise in tourism resulting from the existence of diversified portfolio of the realized production. The decision process related to the profit production and realization is challenging as it demands specification of the Break-even Point for multi-level production structure that involves a high share of services.

Key words

cost controlling, profitability, break-even point, structure of enterprise in tourism

JEL Classification: C40, L25, L83

Introduction

Cost controlling is an important tool to achieve the profitability of enterprise. It comprises in its frame the current knowledge of the size and structure of the enterprise costs divided into fixed and variable costs that serve to the Break-even Point construction. Considering the fact that there is currently diversified portfolio of the realized production, the decision process related to profit production and realization is challenging. It demands specification of the Break-even Point for multi-product structure with respect to specific conditions of the service production.

The profitability is regarded in the market economy the most important index of the enterprise economic activity. It characterizes the final result of the enterprise economic activity. From the quantitative point of view, it expresses the final effect of the enterprise activity in the form of the profit mass. From the qualitative point of view, the expression of the profitability is its rate, i. e. mutual relation of the achieved profit mass and the number of tools due to which it was achieved. The result of the relation is the profitability rate coefficient. In practice, there are used several profitability rates depending on which factor, having effect on the enterprise activity result, it is compared with. We can express the relation towards the incomes, the returns, the costs, the basic capital of the enterprise, the resources, the capital and etc. (Sládek, 2001, p. 472)

The importance of the profitability analysis rests on its ability to evaluate the enterprise effectiveness, to check the accuracy of the range and structure of the enterprise services, to check the accuracy of the price policy but also to discover the deficiencies in the enterprise economy either in the form of the cost plan overrun or non-fulfillment of the plans of returns, incomes and other coefficients of which influence must be corrected. The enterprise is regarded profitable when it pays all its costs from its

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incomes and produces the profit that expresses the capitalization of the invested resources to the enterprise. Along with this, it has got a higher or, at least, the same rate as the interest would achieve when it would be deposited into the bank. Under the favourable conditions, the profit should stay at the interest rate level of the most advantageous deposits or at the discount rate level. This relates to the profitability of the tourism enterprises in a full measure too. And the more in our conditions as we deal with negative consequences of privatization and other problems after the social system change. The positive effects of the profitability analysis can be intensified by implementation of the controlling, first of all the cost controlling in the enterprise.

1 Methodology

The objective of the work is an identification of the profit rate that means the break in the enterprise economy development in a positive way, i. e. identification of the break-even point in tourism enterprise and that also means the direction of the development towards the expected profitability. The work uses the knowledge of the break-even point analysis and its applications in the tourism enterprise controlling, mainly in the hotel enterprise, where the production of products and services is wide and has its own particularities.

Tools and methodology of the paper:

- The importance of the cost controlling and its particularities in the enterprise in tourism.
- The basis of the enterprise profitability, the rate of the enterprise profitability, the importance of the analysis of the enterprise profitability, the limit of profitability as the criterion ratio of the enterprise success.
- Mathematic-statistical methods of finding the limit of the enterprise profitability, the scheme of the Break-even Point for one product, the factor of cover contribution.
- Limit revenues, limit selling price, limit number of the sold products, limit profitability expressed by the degree of the capacity utilization. Expression of the profit by the limit profitability.
- Calculation of the Break-even Point in multi-production structure.
- Calculation of the Break-even Point in provision of services.

2 Results and Discussion

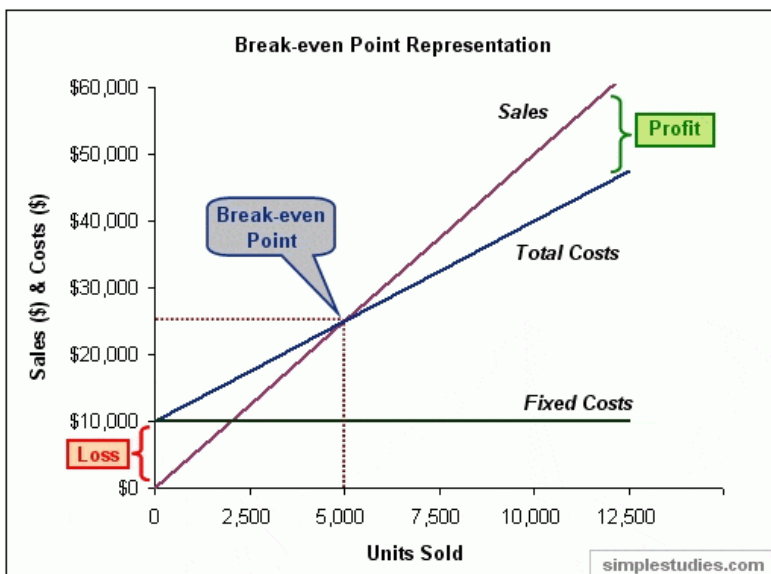
2.1 Entrepreneurship Profitability Threshold

The notion of profitability thresholds (the break-even point) means the status, the level of incomes (achievements) when, after their achievement, the costs and returns are balanced, the enterprise is not in loss and the profit is still zero. After its overcome the enterprise begins operate with the profit along with the returns increase, it becomes profitable.

The profitability threshold of the hotel enterprise is the criterion coefficient for the objective evaluation of the entrepreneurship development success rate (Sládek, 2001, p. 477; Sládek - Valenteová, p. 178) for:

- The correction of the objectives formulated in a business plan and setting of the marketing strategy,
- The organizational, economic and personnel measures,
- Evaluation of new activities in the hotel business,
- Making decisions related to the extension and widening of the capacities,
- Introducing of new services,
- Checking of the economic eligibility of the existing prices,
- Provision of the price discounts.
-

Graph 1 Diagrammatic description of the break-even point



Source: Accounting Cost-Volume-Profit Analysis. Retrieved June 20, 2014, from <http://simplestudies.com/accounting-cost-volume-profit-analysis.html/page/8>.

As we can see at the chart, the break-even point gives the information that the loss is achieved with the incomes lower than the break-even point and the profit is achieved with the incomes higher than the break-even point.

2.2 The Methods of Identification of the Break-even Point

The break-even point of the catering or hotel enterprise as a whole entity with no available detailed indexes of the costs and incomes can be identified in the following ways (Sládek, 2001, p. 477):

- The table method (by gradual increasing of the costs and incomes values to achieve the common point after which the exceeding of the incomes over the costs makes the profit).
- By the chart, a cross point – the break-even point - is gained by balancing of the incomes and costs values in the line (with the use of the so called least-square method) (the current controlling does not use them).
- Mathematic-statistical practices (with their transformation into controlling systems). We explain them in the following text.

The level of costs is the important qualitative enterprise coefficient and it is the ratio of the costs to the incomes ($I = C/I \cdot 100$). The coefficient decreases, if the costs decrease

with the unchanged incomes, if the incomes increase with the unchanged costs, or if the incomes grow faster than the costs. However, the different level of costs is not the coefficient of work quality of the tourism enterprise as the enterprises work with different structure of the commercial activity and often in incomparable conditions.

Acquaintance of the enterprise situation from the profit point of view is very important for every enterprise entity. Its amount affects the ways of possible future decisions. The profit amount is influenced by the bulk of the realized products on the market in particular and for the enterprise advantageous price relations, by the costs for their production or gaining and by further factors. *The analysis of the break-even point* serves for making of the right decisions on the production and selling of the product, its rejecting from the production program or the need of the costs reduction. The theory, in this area, deals with determination of the break-even point on the base of fixed and variable costs.

Formula of the break-even point:

$$\mathbf{BEP = FC / P - VC}$$

where: BEP - break-even point for one product
FC - fixed costs and production bulk
P - product price
VC - variable costs per production unit

The most of enterprises, mainly the hotels, have multi-product structure that requires modification of the break-even point calculation.

The whole methodology of identification of the break-even point, resp. the profit range in the multi-production structure is based on calculation with *incomplete costs* and *the payment contribution (cover contribution)* in the same way as with one product. The variable costs that relate to the production units and the fixed costs independent from the number of the realized production, possibly they change by transfer, play an important role. We can define the payment contribution (cover contribution) as the contribution that serves to the cover of fixed costs and profit. It is identified as the difference between the product price unit and the variable costs per the production unit.

In calculation of the break-even point, the cover contribution is expressed as the fraction of the incomes (Gúčik, Patúš, Šebová, 2007). The fraction is called the *cover contribution factor* and is calculated by completing the formula:

$$\mathbf{Fcm = [(I - VC / I)] \cdot 100}$$

Notes: Fcm – contribution margin factor in %
I - incomes
VC - variable costs

The break-even point expresses the bulk of incomes that should be achieved to cover the fixed and variable costs. Profit is achieved by further incomes increase, the enterprise gets to the loss by the decrease of the incomes under the break-even point. The incomes amount that the enterprise should achieve to cover the costs is identified as the *threshold incomes* and is calculated by completing the formula:

$$\mathbf{Thi = FC / Fcm}$$

Notes: Thi - threshold incomes
FC – fixed costs

The threshold selling price expresses the product price at which the threshold profitability is achieved and is calculated upon the relation:

$$\mathbf{pts = [FC + (VC_j Q_j)] / Q_j}$$

Notes: pts – threshold selling price

The break-even point in tourism can be identified not only as the threshold incomes but also as *the number of the sold products* – meals, tours or the degree of the accommodation capacity utilization.

The threshold price expressed by *the number of the sold products* is calculated upon the relation:

$$\mathbf{Nthsp = QFC_j / p - VC_j}$$

Notes: Nthsp – threshold number of the sold product
Q - number of products for selling
Q_j - number of product units for selling
p - price
FC_j – fixed costs per the number unit
VC_j – variable costs per the number unit

The break-even point is expressed by the degree of the capacity utilization and is calculated by completing the formula:

$$\mathbf{x = [FC_j / p - VC_j] \cdot 100}$$

Notes: x – capacity utilization in %.

We calculate *the profit by the break-even point* by completing the formula:

$$\mathbf{P = (I \cdot Fcm) - FC,}$$

or

$$P = (I - Thi) \cdot Fcm$$

Notes: P - profit
I - income
Fcm – contribution margin faktor
FC - fixed costs
Thi - treshold income

Above mentioned BEP model (Gallo, 2014, p.2) suits, as we have mentioned, to the entrepreneurial entity that produces only one product but in practice, there are only few enterprises of this type. Calculation can be used when a new product is intended to be introduced. It is possible to proceed in the way that the fixed costs will be gradually assigned to the products in such a proportion in which every product is expected to provide overall contribution for payment.

With this method, it is necessary to decide which procedure or on the base of which criteria there will be assigned the fixed costs to every product. It is possible to use the following methods:

- The method of assignment of the fixed costs to the products on the base of the product payment contribution.
- The method of assignment of the fixed costs on the base of the percentage contribution range amount.

Ad 1. The method of assignment of the fixed costs to the products on the base of the product payment contribution

The matter of the method rests on the fact that every product is assigned a particular proportion of the fixed costs on the base of the percentage assignment range by which the product should contribute to profit making upon the expectation.

We can express the contribution range as the percentage expression of the payment contribution in relation to the price. The product that contributes by a higher amount, i. e. makes a higher payment contribution, will be used for payment of a higher amount of the fixed costs.

Disadvantage of the method is that it may lead to faulty opinion that a higher payment contribution with a particular product is a guarantee that the product will also make a higher profit that, ultimately, may not be always true. The number of sales (turnover) is important, resp. how many times the payment contribution is realized. We can express the relation mathematically as the number of sales time the contribution range. Upon the economic concept, it means that it is better to sell a thousand pieces of the product and to earn a crown per every piece than 10 pieces of the product where each of them will make the profit of 100 crowns.

Although it is not possible to predict the bulk of sales in the planning stage in a full measure we can estimate relatively accurately the percentage of the overall sales on the base of the prediction resulting from the market analysis. We can also estimate or calculate the variable costs and the selling price and then to calculate directly the payment contribution. On the base of the economic information, we can then assign the proportions of the fixed costs to particular products on the base of the proportional part of the overall profit by which they should contribute to making of the overall enterprise profit.

The formula for calculation of the break-even point with the multi-production *structure* would be, as follows:

$$\text{BEP} = \text{FC} / \sum_{i=1}^n (\text{Csb}_i \cdot \text{Ccr}_i)$$

Notes: BEP - break-even point for one product
FC - fixed costs per the bulk of production
Csb_i - sales bulk coefficient for a particular product
Ccr_i - contribution range coefficient for a particular product
n - number of products for which we assign BEP_i = 1,2,...,n.

We calculate the *sales bulk coefficient* according to the formula:

$$\text{Csb} = \text{Aspp} / 100$$

Notes: Csb - sales bulk coefficient
Aspp – the amount of sales of particular product in %.

It is true that in case of the multi-production structure the overall addition of the sales percentages of all products must equal to 100. I. e. that in case of two products, where the sales bulk of one of the products is 70%, the bulk of sales of the second product will be 30%.

We calculate *the coefficient of the contribution range* similarly as the sales coefficient:

$$\text{R} = \text{r} / 100$$

Notes: R – coefficient of the contribution range
r – contribution range in % from the selling price of a particular product.

Ad 2: The method of assignment of the fixed costs on the base of the percentage contribution range amount.

It is advantageous to use the method of assignment of the fixed costs on the base of the contribution range amount when the enterprise tends to operate with the set payment contribution range that does not deviate considerably from its average value. The contribution range is calculated similarly as in case of the above mentioned method – as the payment contribution expressed in percentage of the product price.

We calculate *the value of the break-even point BEP* as the fraction of the fixed costs and the coefficient of the contribution range. The relation for calculation of the break-even point is, as follows:

$$\mathbf{BEP = FC / R}$$

Notes: BEP - break-even point for one product
FC - fixed costs per the bulk of production
R - coefficient of the contribution range

We calculate the coefficient of the contribution range, as follows:

$$\mathbf{R = r / 100}$$

Break-even Point in Case of Services Provision:

Many entrepreneurial enterprises nowadays tend to provide the services to individual clients. These enterprises also need the method that will allow them to calculate the break-even point – BEP as the contribution required upon the length of the provided service. The method mentioned below should provide the instruction for making the final profit estimation that should provide sufficient payment contribution able to cover the net profit, as well as, the fixed costs.

For calculation, it is important to know which factor restricts the bulk of the offered services or the bulk of sales of the entrepreneurial entity. The number of worked hours may be considered the factor mentioned above. On the base of the worked hours we can derive how big payment contribution must be produced per each working hour to cover the final profit and the fixed costs. The formula for calculation of the break-even point in case of the services provision and in relation to the available time fund is, as follows:

$$\mathbf{BEEP_s = FC + PT/ H}$$

Notes: BEEPs - profit balanced point for provided service
FC - fixed costs
PT - profit target
H - available time fund for the service provision

In these cases there may occur or occurs very often the situation when the price of the offered service is higher that the client is willing to pay for it. The entrepreneurial entity should accept the transaction because it contributes to the cover of the fixed costs that are involved in the payment contribution. Of course, he/she must consider rejection of the transaction too, in case, when the entrepreneurial entity is able to use the available capacities better and more efficiently for the service performance. The entity should also consider how the acceptance of the transaction will influence the economic result with repeated sales that should be profitable or whether the acceptance of the transaction will help the enterprise to use the lowly used capacities, e.g. not used working hours in our case. But these situations should not be solved at the expense of the more effective transactions.

The above mentioned method of the break-even point identification should find particular application mainly in the branch of tourism.

Conclusion

The mentioned method of calculation of the break-even point will allow the entrepreneurial entity to calculate correctly the break-even point and thus to identify the range of profit and the range of loss as cumulatively for the overall bulk of production as separately for particular products. The asset of the methods in the the entrepreneurial experience of the Slovak enterprises is clear. For example, in case of gastronomic production, offer and sales in the sale premises of the hotel with very wide and diversified assortment we may identify the break-even point and the needed bulk of sales for every particular product separately, even with the assortment of several hundreds up to thousands of products. Due to these methods, we know what bulk of sales of a particular product we need to realize to achieve the set profit target cumulatively for the whole enterprise. In case we do not achieve the range of profit, we can calculate which products are loss-making and what is their proportion on the profit decrease. Then the enterprises may search in more details the consequences of their decisions not only within one product but also within the whole production program.

The problem may occur with calculation of the models, as mentioned above. The information technology and the possibility to involve the controlling agencies into solving of the matter in the form of outsourcing allow to simplify the process considerably and to help the enterprise management to focus on the root of the matter. It thus allows the managers to use variation more flexibly within the conditions and factors that have influence on the profit amount in a complex way for the overall production program.

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Negative Interest Rates of ECB and their Impact on the Economy and the Financial Sector in the EU¹

Ľuboš Pavelka²

Abstract

Since 2009, the development of EU countries was severely affected by the financial, economic and debt crisis of the economies. Across the EU, there was a difference in the range of the bailing out of the financial sector from the public funds, reduction in economic growth and a decline in tax revenues. The result was an enormous increase in public debt, especially in the countries of the so-called "periphery of the euro area". The paper deals with the prediction of the effects of loose monetary policy of the ECB associated with the historically lowest Refi rate. It also deals with the application of the negative interest rates on the sterilization of free funds of commercial banks in the ECB and the impact of this policy on the banks and the economic growth of the economies. The procedure consisted of the examining of the consequences of the debt crisis of the EU economies and of the efficiency analysis of the effect of stabilization measures of ECB on the level of public debt. The main results of the paper consist of following statements; low interest rates as the dominant tool of monetary policy of the central banks do not help to reduce public debts, although they generally reduce state costs for debt service. Loose monetary policy of the ECB is not reflected in the increase of lending to households and corporations, while doing so, there is rise of the risk that low interest would increase the likelihood of inflating asset prices and bursting of related price bubbles, especially in terms of stock markets. This may ultimately have an impact on the possible return of the crisis determined by the re-increasing involvement of investors in speculative financial instruments.

Key words

deflation, negative interest rates, monetary policy, economic growth, public debt

JEL Classification: E31, E43, H6

Introduction

The financial crisis in the U.S. in 2008 became the time intersection of long period of low interest rates promoted by the central banks of the world economies. Globalization and internationalization of the financial sector and of the financial crisis' infiltration across the continent have changed the market participants behavior. Bailing out the banks threatened by the default liabilities from their clients and assets addicted to development of the capital markets went essentially at the expense of the public debt explosions. Central

¹ VEGA 1/1185/12: Changes in consumer trends conditional to impact of the financialeconomic (social) crisis, reflected by modifications in the marketing programs of business entities in order to maintain their competitiveness in international markets (with application to the conditions EU with an emphasis on SR)

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banks by their monetary policies in an effort to help the financial sector and public finances gradually applied the steps to pose the balance. Interest cuts up to so called the natural interest rate (2% pa) did not help to revive economic growth, to reduce either unemployment or debt cost of most indebted countries, including the EU member states. To lower the interest pertaining to each convertible currency at the particular market was aimed by the fact that monetary policy of FED as well as of ECB and of central banks outside the euro area is interrelated because of the existence of wide spectrum of security as well as speculative instruments. Demand is particularly affected by the interest rate differential (spread) between the currencies. It means that the central banks, including the ECB, are not autonomous, but they must behave mutually coordinated. Like this, the banks can prevent problems of excessive appreciation of currencies, or speculative attacks on financial institutions, or influencing volatility on financial and capital markets.

Low interests assist the states to handle the payment of interest on debts and at the same time to be raising accelerator of economic performance measured by the increase (decrease) of gross domestic product. The downside of low interest rates is bull machinations the price bubble in real estate and stock markets. In addition, in the event of an increase interest rates leads to an overestimation of the value of each issue of bonds with a fixed interest coupon in the form of depreciation. For short period of time it may devalue investors' property in pension funds, life insurance policies or mortgage bonds. Low interest rates may also affect the decisions on investing in real projects and support the growth of speculation. The allocation of money to the banking products and interest-bearing securities with adequate risk becomes onerous during the period of low interest. Especially if low interest for severs remain in terms of higher inflation as income from money capital. Such a problem doesn't threaten the EU economies because the high volume of resources provided by the ECB is only sterilized or used to finance the national debt. The volume of new provided loans in the EU is declining. This is happening with low consumer demand and fear of job loss decreases customers' interest to buy goods on credit, thus the economies get into deflationary pressures. The change of the ECB key interest rates (June 2014), and its shift to negative values is in ECB monetary policy groundbreaking precedent. The sanction interest rate was never tested in the conditions of euro area. Only Sweden and Denmark have some experience with it. (Kostelný, 2013) According to him, the central banks use the negative interest rates only in exceptional cases; when previous measures and targets have failed. The aim of negative interest is to weaken the currency, which won't be attractive for investors at low interest rates for allocating available funds.

Setting negative interest represents for the banks excess reserves penalization, which reduces their income from financial operations and hence profitability, as well. The ECB in its monetary policy in 2013 started to apply tools, which can be described as temporary measures to maintain the stability of the banking sector and the EU economy through low interest rates. They initially caused the financial repression, which was harmful to the purchasing power of savings allocated in financial products. However, as the significant liquidity input from the ECB in commercial banks didn't transfer into a larger volume of low-interest loans to consumers and businesses, expansionary monetary policy of the ECB failed to meet their expectations. Strengthening the requirements for loan assets security from regulators known under the name of Basel III, have reduced access to credit for small and medium enterprises, thereby lending in the whole euro area began to decline. The effect of crowding out money from the real economy was also determined by significant volume of losses, which investors were suffered in recent years because of the bursting the bubble followed by the depreciation of assets in funds and asset management

companies. The result of these processes is to reduce inflation and new arrangements from the ECB, which were established in June 2014, to revive the economies of the EU in the form of compelled commercial banks by the ECB to provide a bigger volume of lending to the real economy. Negative interest rates prescribed for deposition of excess liquidity don't necessarily guarantee the expected growth of the economy and reducing the amount of public debt in the EU.

The main goal of the paper is to assess the monetary policy of the ECB in the context of increasing public debt of EU economies and the economic performance of individual economies. The paper deals with the prediction of the effects of loose monetary policy of the ECB associated with the historically lowest Refi rate. It also deals with the application of the negative interest rates on the sterilization of free funds of commercial banks in the ECB and the impact of this policy on the banks and the economic growth of the economies.

1 Methodology

The results of operations of government economists of the EU countries show that countries forming a common market live on the debt for decades (excluding some member states), which is displayed in difficulties to manage the debt service burden. Theoretical basis are based on assumptions of repeated interest rate cuts' ineffectiveness during the so-called credit crunch, which was defined by the economist J.M. Keynes in the last century. Similarly, we can indicate serious crisis symptoms by a condition, when the economies supported by relevant monetary policy through low interest rates find themselves in a liquidity trap. At the low interest rates the measures leading to even lower rates do not operate in the conditions, when these are already close to zero. On this basis, we can conclude by deduction that monetary policy based on zero, also on partly negative interest rates of central banks pose a risk to the stability of a currency. By analyzing the impact of increasing public debts of EU countries it is also possible to indicate hypothesis based on the fact that without monetary policy based on low interest rates, many EU countries would lost the ability to service interest liabilities arising from issued government bonds. At the same time they might also have trouble keeping the trust of investors willing to refinance outstanding bond issue, which maturity (expiration) ended under acceptable conditions of interest.

In the past years, proponent of negative interest rates was an economist J.Taylor from Stanford University, who proposed the basic interest rate in the U.S. to set at -5.0%. According to this rule, the base of interest rate decreases, when inflation or GDP declines. This idea was also supported by Harvard economist G. Mankiw, as well as by Swedish economist L. Swensson, who is considered as an expert on monetary policy. Commercial banks' claims on deposit in the central bank associated with negative interest rate can be regarded as taxation of commercial banks in favor of central bank. This is reflected in the decline of interest of commercial banks to hold excess liquidity in central bank (Jílek, 2013). Aim of this scientific paper is to demonstrate the link between the amount of public debt and monetary policy of the ECB following its decision to impose the obligation for commercial banks to pay for funds deposited in the ECB negative interest rates, which are like sanction fees.

2 Results and discussion

Postponing the immediate consumption and saving money in the bank rewarded by some interest savings for the owner was the foundation of capitalism. From this the potential legal claim for lost profits is derivative. In banks' advertisements also states: "make the money work for you." Since June 2014 the classic rules of the capitalist society has begun to crumble. Since time out of mind money cannot work, because the work falls to the people or machines. Now, however, the money deposited in the European Central Bank (ECB) will pose no income to commercial banks, but they will have to pay for their temporary "custody".

German Professor Thomas Straubhaar from the Institute of Foreign Economy in Hamburg (HWWI) took a think over the changed rules of the foundations of capitalism. In the newspaper Die Welt he has called the recent negative interests as the beginning of the end of capitalism. In general, positive interest rates drive the economy of capitalism and are her bloodstream. However, if it fails even at the cost of low interest rates to boost demand, production and employment, and use the heaviest caliber weapons in the form of negative interest, it is really serious crisis. According to him this can be labeled as dry elixir of capitalism, which cannot solve the problems of economic mechanism traditional way.

2.1 Low interest rates and public debt in EU

An intention to maintain low interests and revive the consumption growth is reasoned by that in economies the deflationary tendencies associated with the risk dominate, that the annual prices will be lower and that consumers instead of purchasing will wait to buy the goods later when they are cheaper. This cautious consumer's strategy has its rational basis in fear of losing a job and therefore rather than rely on foreign (borrowed) money they rely on their own savings. Whereas those who would like to buy are usually the ones, who have deeper in their pockets. Thus demand is generally lower than the compilers of national budgets needed. No value added tax is levied on the money collected in the banks and money from deferred consumption generates no new jobs or increase in contracts and orders in manufacturing businesses, or traders. A magic wand in the form of minimizing already low interest rate will not help probably. Investing (saving) money into the banking and insurance products is for the savers a trade with advance loss. It can also be described as a form of nationalization of money.

Low interest rates are one of the reasons why the EU periphery countries led by Greece are too indebted. Low interest in the common European currency enticed them to invest without enough thinking about by whom and when the new debt will be repaid. Cutting the debts at the expense of holders of Greek government bonds did not help Greek, because after less than two years' "haircut" the level of the debt was higher than before the cuts forced by creditors. The fact, that the rescue mechanism for countries with irresponsible banks, which recklessly risked in the past and threw the whole burden on all taxpayers in the moral hazard, is now secondary. Low interest rates in the past encouraged banks instead of honest profit from lending to prefer speculations. Today, therefore, the current issues are the stricter banking legislation in the area of responsibility of the managers and controlling shareholders of financial corporations or plan to introduce a tax on financial transactions known as the Tobin Tax. Great embarrassment in spring 2014 brought also information that the EU is considering to deal with high public debts of member countries by imposing a one-time tax of 10% for all financial assets of owners

savings. We could describe it as the transfer of responsibility of high government deficits on current account holders and savers who fail to place their capital in one of the tax havens in the world.

2.2 Public debt sustainability of Eurozone member states

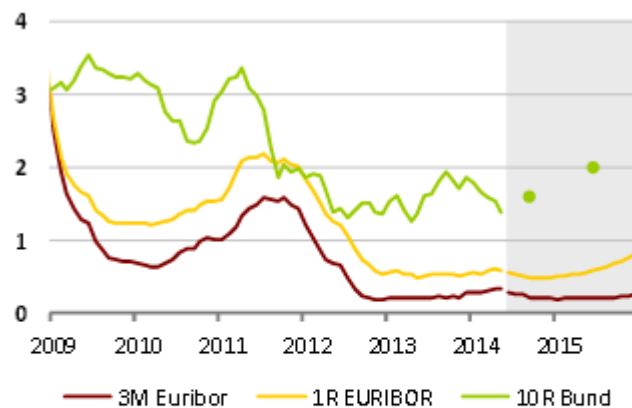
The average public debt of Eurozone reached the level of 92.6% at the end of 2013, while in recent years significantly increased. By now, six countries using the common European currency have a public debt exceeding 100% of GDP. Largest economy with a three-digit public debt is Italy (132.6%), followed by Belgium (101.5%), Greece (175,10%), Portugal (129.0%), Ireland (123.70%) and Cyprus (117.7%). In case of paying so called natural rate of 3% to 4% per annum to investors, who are willing to buy the bonds of most of the Eurozone countries, the debt burden would become unsustainable for the economies. When estimating the natural interest rate, we started with the targeted level of inflation of ECB at level of 2% p.a. and spread required by the investors differentiated according to a risk taken by a country and the likelihood of default. It should be also considered that some investors depending on the tax system of the country must pay from interest the capital income tax (unless bilateral agreements on avoidance of double taxation stipulate otherwise, or the investor can avoid paying interest rate on bonds domiciled in any of the tax havens). The high rate of public debt of the euro area leads to the fact that politicians in countries with lower debt underestimate the risk of over-indebtedness economies, arguing that the priority is to promote economic growth and reduce the unemployment rate in the form of state orders. They do not take into account that the performance of the new member states' economies is becoming dangerous at much lower boundaries of public debt than today's average of euro area countries. The reason is that companies, which benefit from investment incentives in the host economy in the form of tax breaks for relatively long period, form large volume of member states' economies. On this basis we can say that a tolerable limit of the safe repayment the debt is 55% of GDP. Slovak government debt reached 55.4% of GDP at the end of 2013, but at the cost of reducing contributions to the second pension pillar, increasing the tax- wedge on income of individuals including the obligation to pay health insurance and partly from capital income. Health insurance payment from capital gains disadvantages Slovak residents, who are willing to use the free movement of capital within the EU to invest to preferred investment portfolios offered by companies based abroad.

In many cases different creative methods are used on optical public debt reducing. These can include the sale of tangible public assets and leaseback, which allows reducing reported debt especially in the municipal sector (wastewater treatment plants, buildings and facilities forming the transport infrastructure and etc.) The EU also introduces new reform, which enables informal economy (sale of smuggled and stolen goods, revenue from the sale of drugs and prostitution) to take a part in GDP statistical reporting. The initiators of these changes are mainly EU countries with a high volume of public debt relative to GDP (Italy, Hungary, Spain, United Kingdom) in the calculation of GDP. Many EU countries already count revenue of semi-legal economy in the form of informal business or unregistered rental income. At the same time the EU has set conditions under which the virtual income of taxpayers in the form of savings of property owners, who live in their homes compared with other similar tenant residential.

Reporting the government debt to GDP is not a real expression of the sustainability of public finances. In the short term it would be more appropriate in the opinion of the

author to compare the government revenue and expenditure annually as well as an absolute increase of public debt net of annual inflation. Instead of reporting the real public debt, the European Commission made decision to allocate the gray and black economy under the national accounts ESA 2010. This decision is mandatory for all EU member states starting in autumn 2014. This involves revenue, which are not typically a subject to VAT and therefore have no effect on the ability of countries to pay their liabilities from current income. Therefore, the proposed changes can be described only as "cosmetic accounting". According to Púchleho T. (2014) the new GDP reporting in Italy would correspond to an economic output increase of 1.3% per year. Preferred refinancing of commercial banks in ECB does not apply to all commercial banks. The exact list of banking institutions, which have an acceptable rating from the perspective of the ECB, is subject of bank secrecy. Smaller commercial banks in addition may not have the sufficient amount of collateral, which would enable them to procure at least smaller facilities (portions) of refinancing funds from the ECB. The significant differences between income deposits in individual commercial banks are the result of this state. The impact of interest rates on real economy was analyzed by Chovanova et.al.(2014) "Financial Markets" and Kotlebova-Chovanova (2010) "International financial centres". In the selection the banks this effect increases the preference of savers to smaller financial institutions. Deposit Protection in the EU, it is subject to non-anonymous deposits up to € 100,000 per person. Some analysts indicate it as an element of moral hazard, because savers do not have any participation in the losses of unavailable deposits in case of default the bank.

Graph 1 The interest rates on the interbank market in euro and USA since 2009

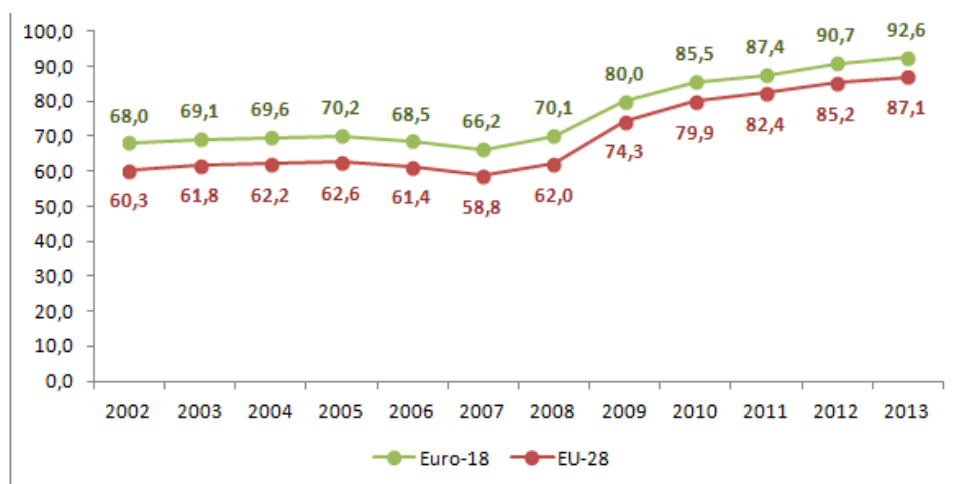


	05/14	06/14	06/15	12/15
EURIBOR 3M	0,33	0,29	0,20	0,26
EURIBOR 1R	0,59	0,55	0,59	0,81
Bund 10R	1,40	1,6	2	

Source:

http://www.cnb.cz/miranda2/export/sites/www.cnb.cz/cs/menova_politika/gev/gev_2014/gev_2014_06.pdf

Graph 2 The trend of average level of public debt in EU (from 2002 to 2013)

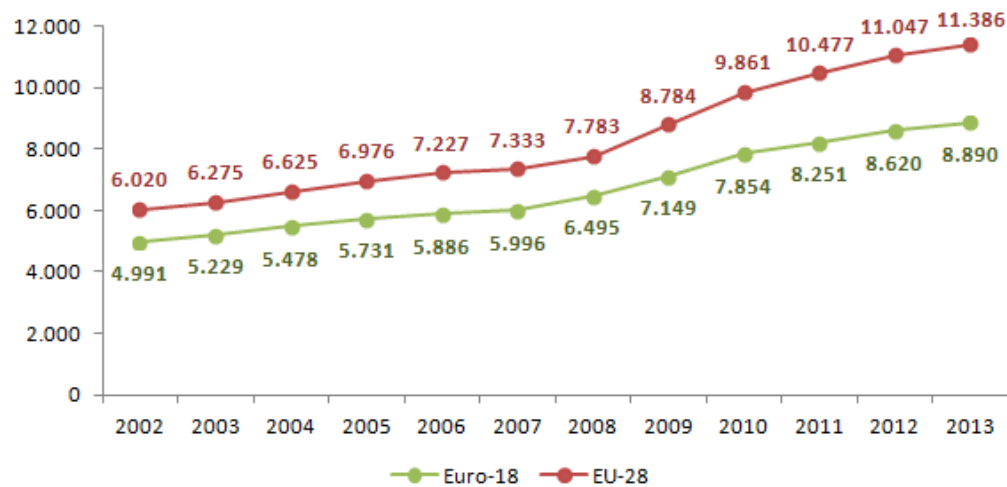


Source: <http://www.haushaltssteuerung.de/staatsverschuldung-europa-gesamt.html>

Average public debt of EU countries continuously increases except for the years 2006-2008 as shown in chart 2. Thanks to monetary policy of ECB the nominal rates, at which EU countries borrow money from investors, gradually decrease. The increasing debts require interest rate to remain low. Possible increase in interest rates would be reflected in raising the business cost, and even smaller interest of consumers to buy a building for residential or goods on credit. Chart 3 shows the amount of government debt for the past decade (2002-2012), which has increased by about 89%. Lowering the interest rates below the historical level mitigates increasing public debt of the EU countries. The ECB forces commercial banks to prioritize lending, which leads to greater economic growth.

The reason for lowering interest rates below the natural boundary (2% p.a.) is low inflation, which reached only 0.50% in the June 2014 on year basis. Such development may lead into deflationary developments in the economies of the EU with a similar scenario as in Japan in past two decades. Swedish economist K. Wickels was the first to express his belief that money comes into existence by providing the loan, thus the economy starts. The money abolishes when the debt is repaid to bank. The current state of EU economies is marked by reducing the lending activity of the banking sector. It may therefore cause long-term deflation and low growth or stagnation combined with high unemployment, especially of young people and workers over the age of 50, who have lost their jobs.

Graph 3 The trend of the average level of public debt in EU per person (from 2002 to 2013)



Source: <http://www.haushaltssteuerung.de/staatsverschuldung-europa-gesamt.html#entwicklung-absoluteuro>

Conclusion

Gradual reduction of interest rates forced first from the Fed and later from the ECB is the concomitant impact of financial, economic and debt crisis of EU economies. The subject of this paper is not an effort to find current sinners of the current development in monetary policy and EU economies, which are crippled by low economic growth, high unemployment and government debt. ECB measures, which tried to mitigate negative externalities of debt crisis and low growth performance measured by GDP, so far did not spilled over into the real economy. Extremely low level of key interest rates due to stricter rules for assessing the creditworthiness of borrowers becomes an accelerator of increasing consumption and new investment in the private sector. Undesirable accumulation of financial liquidity of commercial banks and the subsequent sterilization of money in the ECB are proof that the ECB's current measures to promote economic growth were ineffective. Despite the stabilization of the banking sector and partial restructuring and recapitalization of banks from public funds, commercial banks are constantly under public and EU representatives' criticism. At the end of June 2014 the EU had adopted new measures for easing the monetary conditions in the euro area, which should avert deflationary tendencies in the development. Besides reducing the key interest rates and the introduction of negative interest rate on deposits of commercial banks in ECB, the tools to support lending to non-financial corporations were approved. These measures involve longer-term refinancing operations (TLRO) and more intensive preparations for direct purchases of asset-backed securities (ABS Asset Backed Securities) from the ECB. Upcoming changes in statistical reporting of unofficial economy as part of GDP creation creates the impression that the issue of public debt instead of constructive solutions becomes an interest in EU statistics creativity and the issue of solving the problem is postponed indefinitely.

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New Trends in Tourism Demand – Geocaching

Pavol Plesník¹

Abstract

Trends in tourism demand are currently quite dramatically changing and modifying. The last two decades saw a dramatic expansion of a game called geocaching, which has significantly intervened in tourism, too. Millions of people are playing geocaching and thus the game indirectly becomes a tool for the promotion of different places resulting in an upsurge in the number of visitors in all segments of the clientele. In this paper, we present the results of research among players of geocaching that was aimed at determining preferences in choosing destinations and connection with other types of tourism. Geocaching brings new opportunities for tourism development. This game can be used as a facility to attract new tourists and promote touristically interesting localities which, however, are less known. At the same time, it brings a new dimension of supporting the attractiveness of already known tourist destinations and opportunities for boosting the number of visitors. The main goal of the paper is to define the relationship between geocaching and tourism and to define new form of tourism.

Key words

geocaching, tourism demand, tourism services, motivation

JEL Classification: L830

Introduction

Tourism is a dynamic system that often responds to lifestyle changes. These are caused by various factors including technological progress and its changes, acquisition of new knowledge and the resulting motivation. In this respect, new trends in tourism demand continue to appear. In addition to the emphasis on mindfulness of the natural environment technological progress is widely applied as well. One of the current achievements is the Global Positioning System (GPS), which has been extensively used in tourism over recent years. According to (1) since 2000, when introducing artificial errors into the system (Selective Availability) was canceled the accuracy of GPS devices has significantly increased. At the same time, a game called geocaching (geo – earth, cache - stash) started to be popular and grew to enormous proportions. The basic idea of this game is to place caches at interesting places and then use GPS devices to find them. The aim of the game may be just finding as many stashes as possible, but also visiting new countries or desire for adventure associated with seeking geocaches. For many people geocaching has become part of their lifestyle to such an extent that they choose holiday destinations according to it.

1 Methodology

The aim of this paper is to define the relationship between geocaching (GEOCACHING 2014) and tourism based on a questionnaire survey, identify the primary and secondary motivation of participants to play and subsequently define geocaching as a new type of

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tourism. Our partial aim is to describe geocaching as a modern activity, suitable for various segments of clients.

2 Results and Discussion

Geocaching is a noncommercial activity, the essence of which is seeking caches, which usually are of a different size and located at various places. According to (2) it is estimated that some six million people worldwide are currently actively involved in geocaching. In Slovakia, there are 8,599 geocaches at present located all over the country while the estimated number of players exceeds 10,000. The segmentation of players depends on forms of geocaching. The basic type is the group Premium Members who are most active geocachers. Owing the paid account they have access to all information on individual geocaches. From the viewpoint of clientele segmentation geocaching is divided into the following forms:

- Tourist geocaching – it represents the biggest group of players who do geocaching only in their free time, when planning their holiday they detect whether geocaches are located in the selected area and its vicinity, which they mostly seek during their stay,
- Sports geocaching – it is often also referred to as extreme geocaching. It is based on placing stashes at hard-to-access areas. To achieve them requires physical fitness and often also climbing respectively. speleological techniques,
- FTF (First to Find) – this group features players who have motivation to find a geocache as first, which improves their status and recognition. They obtain the notification of geocaches preferentially, Premium members,
- Family geocaching – this group includes parents with children where the whole family has a single account and is seeking caches jointly. It is often a strong motivation for children who want to mainly to go to nature to experience a hide-and seek adventure. It is a relatively numerous segment of players.

This shows that the prevailing portion of geocaching activity overlaps with tourism. It is necessary to identify the primary and secondary motivation of the participation in the game and quantify and also determine what part of the players use tourist services. Following this purpose we conducted during 2013 a survey on a sample of 556 respondents in the Czech Republic and Slovakia. When preparing the survey, we have established two hypotheses:

H1 – For more than 60% of players of geocaching discovering interesting places (cultural and historical monuments, natural attractions, etc.) is a secondary motivation.

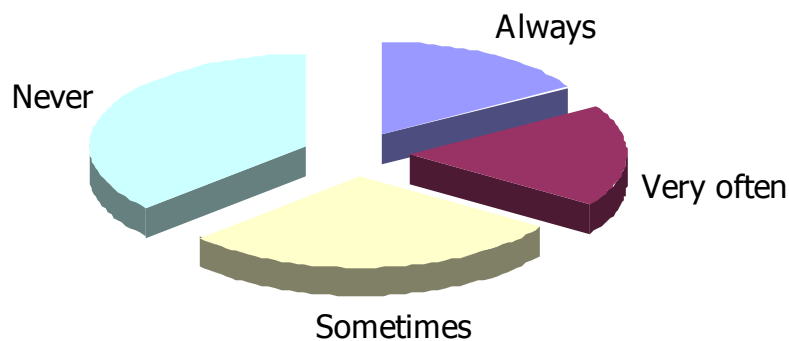
H2 – More than half of players of geocaching choose their holiday destination based on the presence of geocaches.

The questionnaire we used in our Internet-based survey consisted of 13 questions, of which 4 were of a demographic nature. The survey involved 431 men and 125 women of all age categories from Slovakia (321 respondents) and Czech Republic (235 respondents) who represented all education groups (elementary school 8 percent, high school 45% and university graduates 47 percent).

Of respondents as many as 553 were active players while three knew the game but did not play it. Most respondents have been involved in the game for 1-5 years (71%), only 10% play the game occasionally and 90% play it at least several times a month.

Some questions regarded the motivation- primary and secondary. As based on the nature of the game, the primary motive is to find the geocache and get a point. It is interesting that only 16% of respondents said that the main and probably the only motivation is just the game. Disagreement with a single motivation (to gain a point) was expressed by as many as 37% of those polled. Opinion levels of the main motivation of the game are depicted in Graph 1

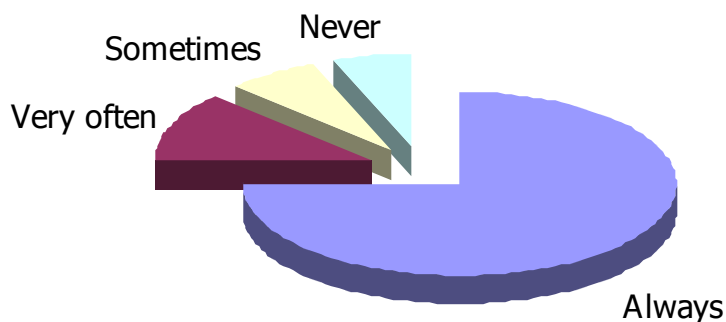
Graph 1 Main motivation of participating in the game – find a cache and gain a point



Source: own research

The secondary motivation of participating in the game may be getting acquainted with interesting places in the vicinity and spending time with the nearest and friends. As many as 75 percent of respondents said that during the game they always visit interesting places in the vicinity. In this case geocaching very considerably overlaps with cognitive tourism. Individual opinion levels are depicted in Graph 2

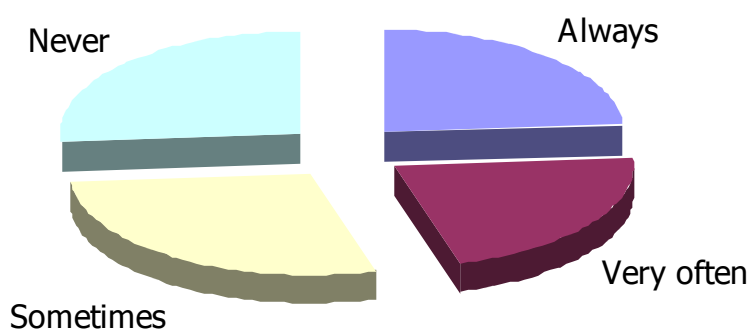
Graph 2 Secondary motivation of participating in the game – visiting interesting places in the vicinity



Source: own research

The social function of the game - spending time with loved ones and friends is not a very important motivation for the involvement in the game. A group of casual meetings with friends prevails, accounting for 28 percent. Respondents' opinions on the motivation of spending time with friends is depicted in Graph 3

Graph 3 Secondary motivation of participating in the game - to spent time with friends



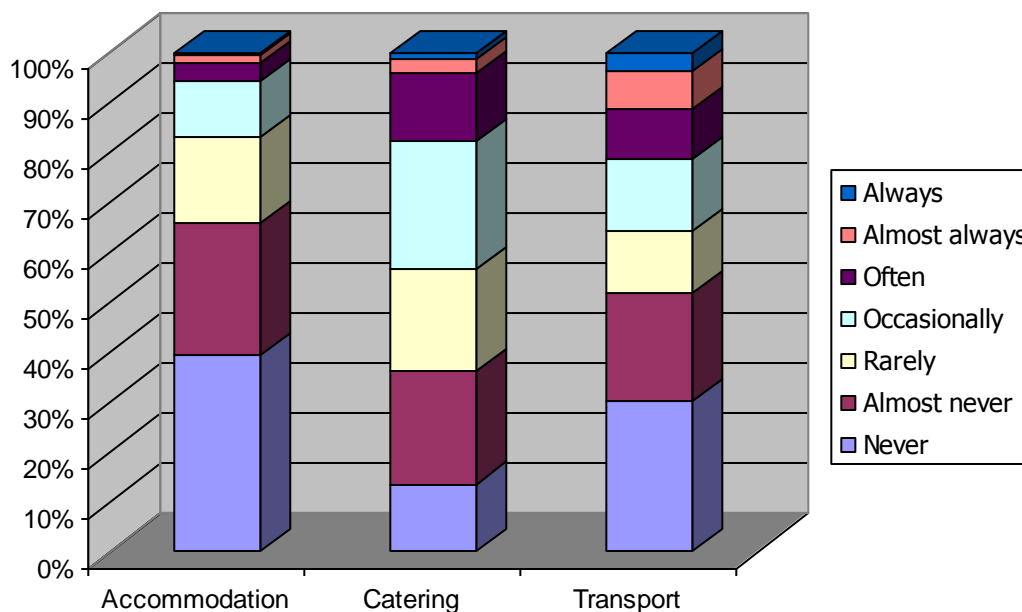
Source: own research

The second group of survey questions focused on the use of selected tourism services during the game and the selection of the holiday place in relation to geocaching. The survey shows that a relatively small portion of players use basic tourism services -

accommodation, food and transport. It is associated with the fact that many players are looking for caches after their working time or on weekends. More than half of respondents said they do not use or almost do not use public transport while only 12 percent use it always or almost always.

A similar situation is with the use of accommodation services. As many as 66% of respondents said they do not use accommodation services during the game. This relates to the above mentioned short-term participation in the game. The use of catering services correlates with the use of the previous two services. Nearly 37 percent of respondents never or almost never eat in a restaurant. Individual opinions on the use of selected tourism services are depicted in Graph 4

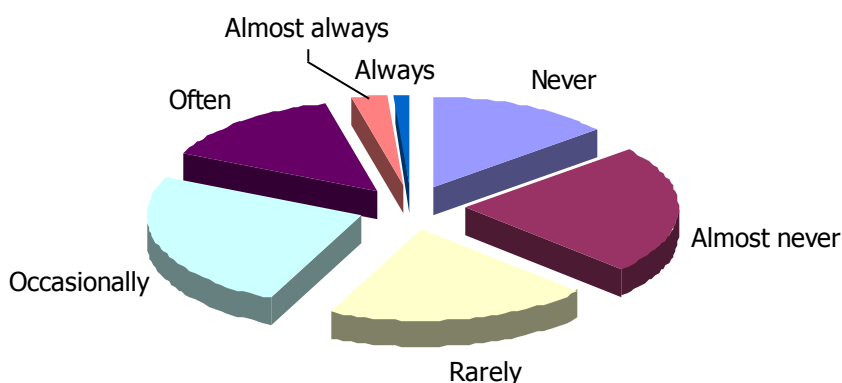
Graph 4 Use of basic tourism services during the game



Source: own research

The last question associated with the relationship between geocaching and tourism was the motivation of the choice of a holiday destination according to the opportunities of playing geocaching. Twenty-three percent of respondents choose their holiday destination based on the presence of caches. This factor partly influences the selection of the holiday place in the case of 47% respondents and 30% of respondents do not pick the holiday place in relation to geocaching. The ratio is depicted in Graph 5

Graph 5 Motivation of the choice of a holiday destination according to the opportunities of playing geocaching



Source: own research

As it ensues from the survey, 75% of respondents indicated that a secondary motivation of players is discovering interesting places nearby caches, thus confirming the first hypothesis (H1). This shows that geocaching can be a part of communication and promotion of a tourist destination.

Twenty-three percent of respondents indicated that the presence, respectively the concentration of stashes is decisive when choosing a holiday destination. 47% of respondents partially take into consideration this fact when choosing a holiday. Although the second hypothesis (H2) has not been confirmed, it is still legitimate to consider geocaching also in classic holiday destinations focused in particular on recreational tourism (seaside resorts, lakes, thermal swimming pools, etc.). For some of the players the presence of geocaching stashes can be a relevant reason for selecting a holiday destination during the decision-making process.

The survey makes it clear that the game of geocaching is closely linked with tourism. The motivation of players is not only to look for caches, but also to explore the attractions nearby. On this basis, we can define geocaching as a new type of entertainment and sports focused tourism where a participant is seeking caches using the GPS that at the same time point at the attractions in the vicinity and these become a secondary motivation for the participation in tourism. We can define three basic forms of this new type of tourism:

- Tourism geocaching, in which the most numerous segment of the clientele is engaged. These are people, who during their free time also visit attractions of the vicinity, along with looking for caches.
- Sports geocaching involving active people who choose hard-to-reach sites. It is often linked with experiential tourism.
- Family geocaching, which is focused on the segment of families with children who attend, in addition to seeking stashes also interesting places and attractions in the vicinity.

resents main findings, results and discussion based on other authors' findings in the field of interest. This section of the paper can be divided into subsections.

Conclusion

Geocaching is a fun sports game that uses GPS technology representing a new kind of spending leisure time (ESPAENORMAL, 2014) By its characteristics the game is part of tourism, sightseeing, navigation, and partly the web area. Geocaching can be described as a new type of tourism, which has great prospects also in Slovakia. In this contribution we dealt with geocaching and its fundamental principles in particular in relation to tourism. We have formulated a definition of this new kind of tourism and also created a synthetic view of the applicability of the gained knowledge in practice. The survey is a source of possible recommendations for economic practice, especially for the businesses sphere, where geocaching can be used as one of communication and promotional tools of sales support. Although the rules of geocaching prohibit commercial use of the game and profit generation, the fact that its players become participants of tourism can ultimately be positively reflected also in the commercial sphere. It would be appropriate to build product lines that would create an intersection of learning routes and finding caches. The survey has confirmed that it would be realistic to offer such product lines directly to various segments of clients.

The recent trends in tourism demand are focused on active spending of leisure time. People are looking for experience-based communication of information, they want to have an adventure including participation in an attractive activity and seeking caches definitively is such a hobby. Thus, geocaching is becoming a significant factor, increasing potential of the environment for the development of tourism.

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The Importance of Promoting the Sale of Slovak Products¹

Róbert Reháč²

Abstract

The target of the article is to analyse actual situation of Slovak products on the Slovak market. The primary aim is on the agriculture, the food industry and especially on food self-sufficiency of the Slovak Republic. Furthermore, solutions for fighting with the ascertained problems are suggested. The final asset of the article is involving of suggestions for raising promoting the sale of Slovak products and raising the consumer's awareness of Slovak products on the Slovak market. The article arose as a result of processing a variety of methods of researching and exploring. Mainly agricultural policy of the European Union and Slovakia, examining shopping behavior of Slovak consumers, structured interviews and the use of empirical and theoretical methods of examination.

Key words

slovak products, agriculture, food self-sufficiency, food industry

JEL Classification: Q13

Introduction

Current theme is sale and promotion of Slovak products on the Slovak market, which entails a number of problems. Slovak consumers like to buy a Slovak product but oftentimes they have difficulty distinguish what Slovak product actually is. Many producers produce a product abroad and transported it to Slovakia, repack it and give it a name Slovak product. Furthermore, this issue continues the significant sectors of our economy such as agriculture and food. Sales promotion of Slovak products, whether produced by agriculture or the food industry, is important because an increase in sales of Slovak products affects their representation in the business chains and thereby improve food self-sufficiency of the country, as well as employment in Slovakia. Given the high unemployment and low incomes Slovak population is not very interested in buying Slovak products, since the price differences between Slovak and foreign products are significant. Therefore, we should seek to reduce these differences in order to achieve growth in sales of domestic products. This can be achieved either by different financial aid for the said two sectors or raising national awareness Slovak consumers to purchase Slovak products.

The aim of this paper is to assess the status of Slovak products on the Slovak market, so mainly in terms of agriculture and food industry. Point out the problems with which these industries are vying to find out what the status of food self-sufficiency of the country, so if it is necessary imports of certain products, or we can produce them ourselves. In the final solutions are designed to combat the deficiencies found.

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1 Methodology

Object of article are Slovak products and their existing support domestic sales. In this paper, we focused mainly on two sectors, such as agriculture and food production, and their individual problems, as these play a crucial role in ensuring food self-sufficiency of the country. The final section includes recommendations on how to eliminate the issues examined in those areas. We have examined so far implemented campaigns to promote the sale of Slovak products for the development of the contribution and we investigated what was their real intention. Furthermore, we found out that the Slovak Republic has a low representation of Slovak products in the domestic market. Subsequently, we were looking for reasons why this is so.

We found background of the problem in two sectors, such as agriculture and food production, and these are the most important for the country's food self-sufficiency.

We began to see large gaps in these areas compared to other EU countries after considering the amount of materials, which have a significant proportion of domestic products in the internal market. We found that older EU states receiving larger subsidies per 1 hectare of land as Slovak farmers. People living in most EU countries are more patriotic and therefore rather prefer their products to foreign ones as the Slovaks.

We investigated which we are forced to import products and we are able to create them yourself. We evaluated the price and quality of food in expenditures compared to other EU countries.

We obtain the data that we presented in the paper to look into a variety of materials like those books, journals, electronic resources, Internet resources, collections and thesis. Furthermore, we conducted an interview with the executive director of Food Chamber Slovak and use qualified data and expert opinion on the country's food self-sufficiency by Assistant Professor of Economics University in Bratislava, Department of Marketing Ing. Josef Orgonáš, PhD.

We are used mainly empirical and theoretical methods as part of assessment of the article of a number of methods. We use empirical methods, in particular the observation of individual indicators, as during those years were developed. Furthermore, we conducted an analysis and synthesis of data occurring. The data we have obtained, we compared with the comparative method. Methods such as induction and deduction are used especially in problem areas encountered in agriculture and food.

2 Results and Discussion

We deal with the current state of Slovak products on the Slovak market in the following section, examining the impact on the agri-food sector and suggest recommendations to tackle the situation.

2.1 The current forms of support Slovak products on the Slovak market

Number of campaigns to promote the sale of Slovak products has been realized to date on Slovakia, but neither reached a large percentage increase in sales than expected. Almost all campaigns have dealt with creating Slovak particular brand of product and neither did not include an appropriate definition of what is a Slovak product.

Consumers on our market do not know which one is Slovak product in their shopping. The main campaigns are executed so far (Pavlov, 2013):

- Quality of our regions (Kvalita z našich regiónov)
- (Abicon Trade, INCOMA Slovakia)
- Quality of Slovakia (Kaufland) (Kvalita zo Slovenska (Kaufland))
- Most of Slovak products found in stores with the logo CBA (CBS Slovakia sro) (Najviac slovenských výrobkov nájdete v predajniach označených logom CBA (CBS Slovakia s.r.o.))
- Promoting the consumption of milk and milk products produced in Slovakia (Slovak Dairy Association) (Podpora spotreby mlieka a mliečnych výrobkov vyrobených na Slovensku (Slovenský mliekarensky zväz))
- Quality policy of the EU (Protected Designation of Origin, Protected Geographical Indication, Traditional Speciality Guaranteed), (Ministry of Agriculture and Rural Development) (Politika kvality EÚ (Chránené označenie pôvodu, Chránené zemepisné označenie, Zaručená tradičná špecialita), (Ministerstvo pôdohospodárstva a rozvoja vidieka SR))
- Slovak Gold (Nadácia Slovak Gold))
- Wine country Slovakia - Slovak wine (Association of grape and wine) (Slovensko krajina vína – Slovenské víno (Zväz výrobcov hrozna a vína))
- Made in Slovakia (Vyrobené na Slovensku (TESCO Slovensko))
- Made in Slovakia (Vyrobené na Slovensku (GS1 Slovakia))
- Quality Mark SK (Ministry of agriculture and rural development) (Značka kvality SK (Ministerstvo pôdohospodárstva a rozvoja vidieka SR))

Nowadays, the Slovak consumer cannot be sure Slovak actually buys the product, ie Made from quality raw materials or Slovak is only produced in our country and the materials from which it is produced come from abroad. Raw materials often come from countries where we cannot guarantee 100% quality and health, but the final treatment of the product takes place in the EU, because the product is considered to be manufactured in the EU. The Slovak misleading labeling of the product is most commonly encountered in dairy products. As cheese, which is sold under the name Ginger evokes among consumers that its origin is just from Slovakia, however, comes from Poland. Tatra sheep cheese originating from Poland and yet nowhere is it written that comes from the Slovak Tatras though and our Polish neighbors have their own Tatras. Causes like chicken re-packed in Poland raised a stir among the public. The public began to doubt the quality of the output produced in the EU and whether the products they buy are really from the EU. For this reason, government agencies such as the Ministry of Agriculture and Rural Development was decided to grant various awards by producers who comply with strict quality criteria for their products.

Slovak basis for labeling products become quality Brand SK, SK GOLD-quality brand and also a symbol of Quality of our regions.

Quality Mark SK, which is owned by the Ministry of Agriculture and Rural Development, was put into use in 2004. During this period arose the National Programme for the promotion of agricultural products and food quality brand SK to promote the consumption of domestic food production. Since the beginning of the program priority was to promote domestic quality products and strengthen their competitiveness in the domestic market. Not very favorable situation caused in our market in the food the initiative to review the National Programme for the promotion of agricultural products and

food Quality brand SK. Also led to changes in the system of assessment and labeling of quality SK so that just encouraged more domestic producers and that this brand has been helpful for consumers orientations in food retail chains in our area. This program aims to improve the situation in the market and clearly distinguish Slovak food products from food imported from abroad. Currently logo Quality Mark has 85 EN respective owners awards, namely manufacturers of quality Slovak foods that produce more than 600 Slovak products (Značka kvality SK, 2013).

Quality Mark SK is extended to the *Quality Mark SK GOLD*, which is awarded to a product with great quality parameters, with the result that 26 manufacturers can label their products with a gold logo Quality Mark E GOLD, distinguishing them from others and thus emphasize their higher quality and uniqueness. The advantage of using the logo of the national quality mark is to be clearly distinguished quality Slovak food imported from, which ultimately simplify consumer orientation when purchasing foods.

Education project "*Quality of our regions*" to support macroeconomic Slovakia has been two years in a row through consumer education campaigns to promote domestic products. "*Quality of our regions*" built up knowledge and confidence among consumers during this relatively short time to make.

The focus of the project quality of our regions from other brands:

- It does not focus only on the designation of Slovak products, but also serve to promote their sale through various forms of communication,
- Refers not only food but all the goods manufactured and produced in Slovakia,
- Works with all market participants: sales, production, primary production, media, government, government, associations, consumer,
- Educate consumers how the economy works and how the consumer behavior in favor of domestic products is reflected in the quality of life and development of society,
- improve macroeconomic indicators such as employment, GDP, investment, and many others,
- Its activities checked and adjusted according to the results of market studies carried out during the year. Measured the effectiveness of campaigns and the development of consumer behavior,
- Project Coordination campaigns affects Coordinating Committee. License approved by the executive committee.

Positive result was the Great Slovaks consumer survey in which 68% of respondents confirmed that campaigns on the importance of buying domestic goods and services affect them and affect their buying behavior. 94% of respondents in a survey who expressed the importance of educating citizens in economics and purchase of domestic products. We also think that such behavior we encourage not only our economy, but also ourselves. The question whether the Slovaks know the quality of our regions? Knowledge trademark - the logo of the educational quality of our project regions confirmed positive 84% of consumers. Comparing the results to 2012 with 13% increase in knowledge of the project logo, because in 2012 it occurred 71% of respondents.

Many consumers not register the fact that these brands exist, despite efforts to promote various products and Slovak designation of guaranteed quality. Unfortunately, many consumers focus more on price than on quality. However, we know more types of consumers who have differentiated attitudes toward quality and price products.

Signs, how to identify Slovak food

Since it is not always possible to clearly identify who is the producer of the product, there are at least indicative signs which should keep consumers when they want to buy only products with Slovak. However, these characters do not guarantee absolutely that this is actually Slovak products.

Characters of Slovak product:

- Barcode starting three digits 858 (Slovak origin who absolutely guarantee, for example. Chicken from abroad, which in our fillets, also receives the code).
- Designation Quality Mark SK (not only guarantees that the product is Slovak, but also that it meets the required criteria).
- Traditional Slovak producers (to be purchased from traditional producers).

Competitiveness and status of Slovak products

Slovak Republic according to the World Economic Forum (WEF) Competitiveness Rankings ranked at 78th place for the years 2013-2014. Compared to last year, worsened by 7 partitions. That status is historically the worst position of Slovakia in the ranking of competitiveness. Slovakia has moved to the second position of the least competitive countries of the EU, whereas lower in the ranking is only Greece (91st place). Just above the Slovak are Croatia (75th) and Romania (76). Mentioned decline in ratings according to the Executive Director of the Business Alliance of Slovakia Robert Kičina is the consequence of pessimism business that stems from a long unresolved barriers to business and changes in tax and social contributions and labor legislation, which came into force from the beginning of this year. "The main problems worsen our most competitive, inefficient public institutions, poor law enforcement, bureaucracy, cronyism, unattractive tax system, low transparency and efficiency of public spending, increasing state indebtedness, rigid labor code and the low quality of the education system."

Given that in the ranking of global competitiveness we are at the penultimate place, we should seek to enhance the competitiveness of individual parameters.

Slovakia must be present to foreign countries in a good light and prove to them that we also can produce quality products with high added value. First of all, we should seek to promote the sale of high-quality Slovak products in the domestic market, therefore be self-sufficient, as well as export to foreign countries and thus promote and international markets. This will reinforce the position of our country, which has a great impact on the performance of our economy.

Slovak Republic in the time of Czechoslovakia had a good reputation abroad. But after the split from Slovakia became a state which is not among the countries that could boast plenty of Slovak production quality. Although in some of the products he writes, Made in Slovakia may not actually be a Slovak product, but it may be a foreign, who was in our area just repackaged.

Given that the Slovak producers are able to produce at such low prices that consumers prefer their home products before the Polish and Asian products, so they are left nothing else, just to be gaining a foothold in foreign markets, where quality and price appreciate. For this reason, our chain stores overcrowded by poor quality Asian and Polish products.

2.2 Assessment of the impact of agriculture on the food industry and food sovereignty

We mark a great demand for foreign productions at present. The main reason is that their price is much better for the Slovak consumers as offering domestic producers. This helps the fact that retail chains are supplied mostly by foreign products. One reason why they are supplied with those products is the fact, that during the period 1999-2011 decrease food business from 369 to 218 companies and a decrease in production capacity below 50%. Termination of such enterprises and the loss of nearly 18,000 jobs caused by the fact that there was a trend in Slovak consumers to buy new and not always better foreign products in the early 90s. The local Slovak food producers had only minimal chances to succeed on the domestic market. The Slovak government is mainly intended to promote exports of our products resulting in the program and export policy of SR 2007 - 2013, which aims to support the development of Slovakia's exports. This support from the state is indeed important, but it should be noted, however, that Slovakia is a country that is not food-self-sufficient. So government should focus primarily on support for Slovak producers on the domestic market and not just to focus on their implementation across borders of state.

Firstly, the government should take measures that would increase domestic consumption and enhance the competitiveness of domestic industries.

The government should fight for equality of position Slovak farmers towards the old EU states a subsidy from the EU budget. This would increase the competitiveness of our farmers against foreign. Support domestic producers could increase employment in the food industry and dropped the import for imported productions.

Unequal granting subsidies caused (Milant, 2013):

- increase in food imports by more than 50%,
- unemployed came more than 100,000 people,
- Pig population declined by 50% and of cattle by 80 000 units.

Further decline in domestic production brings even more pressure on the import of foreign products, which in turn reduces the competitiveness of Slovak agriculture.

Deal with this situation would be if the subsidies increase for all EU member states on the same balance. This would significantly contribute to employment growth, production and would upgrade the competitiveness of Slovak agricultural and food products in domestic and foreign markets. The question is, who should deal with this situation. The Slovak Government would be in its pro-export strategy should focus more on agriculture and also should try to negotiate a fairer Slovak subsidies for agricultural products, or at least, that the settlement payments occurred before the year 2028.

The developed led to backwardness of our country's competitiveness in the economy and the price level, the level of technology, productivity, quality and technical level of products and service after the political and economic changes in the Slovak Republic, ie when it is opened to developed nations. Increase of the competitiveness of Slovakia is very difficult to financial resources and know-how. We cannot provide a sufficient amount of own funds from our economy, so we are dependent on foreign, which are drawn from the Structural Funds.

Revenue (which reached Slovak farmers per hectare of agricultural land) makes up only 6.3% of income per hectare in the EU-15 countries. The reason of low income farmers' is their low production per hectare, which is only 40% of the EU-15 in plant production and 38% in livestock production. Hectare production in Slovakia is the lowest among the Visegrad countries. Agriculture in the SR reaches to the developed countries of the EU low added value, ie 25% of the EU average and, on the other hand, the level of production is characterized by high intermediate consumption. This is due to high costs of agricultural enterprises for fuel, energy, fertilizer and expenses related to workforce are the highest in Central Europe. Other elements, which penalizes Slovak farmers, are high taxes on production. Although they achieved 65% per hectare of the EU average - 15, but at a lower production volume than in other EU countries. Further subsidies on production per hectare achieved in average in 2004-2011 only 54% of the EU - 15, while the lowest in Central Europe. If we compare the Slovak Republic in the in-Tenza livestock to other EU countries we find that it is very low. One is the lowest level of milkiness of cows, the lower is the only in Poland.

A key reason for lower livestock versus crop production can be found in the low support in the technological backwardness of companies and inappropriate farm structures.

Currently Slovak farmers compete with high acquisition costs of inputs, where the value of the procurement of fuel, energy, fertilizer and labor is higher than in other EU countries. These factors of production are rising faster than the prices of agricultural production. While prices of production inputs have been increasing until 2008 and agricultural commodity prices rose only slightly. Prices of inputs and outputs declined due to a fall in global commodity prices in 2009, whilst in 2010 recorded a resurgence.

The production of the food industry has stagnated at around 3.1 billion per year since 2002. The index of industrial production (manufacture of food, beverages and tobacco products), which follows the development of production in natural expression, is in the range of 93,7 in 2003 to 106,5 points in 2011. Crucial to food type include dairy and meat industries and their importance year-on-year declines (Halgašová, 2012).

Production capacity of the food industry are not used to the fullest. They are used for about 60% for supporting products. The main reason is for non-use that they are outdated, they consume large amounts of energy and they are without significant innovation. The food industry is not related to the results of scientific research, which affects not only its innovation, but also its transition to a qualitatively new foods. It follows, that neither production capacity is not utilized for selected commodities to 100%. This is influenced by many factors, whether due to technological backwardness, low profitability or many other factors.

They were told on Union negotiations on food makers Slovakia (UPS), which is part of Slovakia of agricultural and food chambers (SPPK), that in the next programming periods will seek maximum support investment in technical and technological renewal and modernization of the food industry and therefore to increase the production of products with higher added value.

The Slovak Republic has the seventh cheapest food and non-alcoholic beverages in the EU countries. But if we compare the V4 countries, only Slovakia has the highest rates among them. Buying food in Poland is cheaper by 30%, in Hungary and the Czech Republic 7% to 3%. The shopping is for less money big attraction for people living near the borders with these countries. Products imported from abroad are often in other

countries of superior quality because they are manufactured from a higher percentage of better materials (Bukovský, 2014).

2.3 Recommendations to increase support for Slovak products in the domestic market

We propose following possible measures to increase the share of Slovak products in the domestic market and support their production suggests.

- Ensuring equality legislation in subsidies for all EU member states. This measure would significantly contribute to employment growth, production and would increase the competitiveness of Slovak agricultural and food products in domestic and foreign markets.
- Maximum support investment in technical and technological renewal and modernization of the food industry and therefore to increase the production of products with higher added value.
- Increase the interconnectedness of the food industry to science and research results.
- Reduction of VAT on food because of competitiveness against neighboring countries.
- Increase awareness and orientation of Slovak consumers when buying Slovak products.
- Implement government regulation to color retail space in retail chains with Slovak products.
- Unify Slovak labeling products.
- Direct and indirect support to support food production with higher added value in Slovakia.
- Ensure on the support of Slovak food self-sufficiency in the said recommendations.
- Direct support for construction and revitalization of food production enterprises and strategic primary producers of agricultural commodities.
- Freshness guaranteed with a protected designation of frozen products and the duration expiry date within 24 hours.
- Thoroughly care for origin labeling of country for food products.

Conclusion

Sales promotion of Slovak products is very current topic, which is currently being discussed whether the reasons for the low representation of domestic products in our market, or because of different views on the bad quality of products imported from abroad. Not all products which are imported from the EU to Slovakia, are subject to quality control. The inspectors have found often various errors in complying with specified procedures. Most shipments of food shortages come from Poland, Hungary, Austria and the Czech Republic. For these reasons, it would be appropriate for us to focus on increased sales of domestic products.

Sales area of Slovak products currently face a number of barriers, which date back to the field of agriculture, food and trade. Agriculture and food sector are an integral part of ensuring food self-sufficiency of the country, but these industries are exposed to various problems which hamper.

In agriculture cannot be competitive for the following reasons. Slovak farmers achieve at just 6.3% of income per hectare to farmers in the old EU-15. Slovak agricultural production per hectare is low and therefore we also have low incomes. Furthermore, we mention the low added value, which is only 25% of the EU average. Level of production is characterized by high intermediate consumption, the production of high taxes, high cost of inputs, poor farming business structure, small animal husbandry and low animal production, which us moving on competitiveness.

The problems in the food industry we include declining importance of supporting branches food, such as the meat, dairy and the milling industry. They are under-utilized production capacity because of the large energy consumption and lackluster innovation. Products that are subject to export are often below the prices of imports. Imports production is mostly composed of products with higher added value and vice versa exported products are of primary products with low added value. Major threat to the sector is that, than retail chains import processed food products from foreign suppliers sometimes dumped. Low cooperation is of primary producers in the supply of agricultural products and raw materials in the manufacturing industry and is also a weak manufacturing sector cooperation with retail chains.

In this paper, we offer solutions that would be helpful in removing the above mentioned problems. If these deficiencies will be eliminated, it is likely that the increased representation of products of domestic production on the shelves of retail chains and reduce price differences between foreign and Slovak products.

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Quantitative and Qualitative Online Data Collection – its Advantages and Limitations

Jana Sitášová¹

Abstract

The characteristics of research have changed over the last few decades due to the development and innovation in information technologies. This has affected the way researchers look at traditional methods for data gathering and has made them look for the opportunities offered by online data collection methods. Despite many of their advantages, it is also important to consider and leverage the risks and limitations connected with online data collection. Apart from the spread and widely used quantitative methods, this paper presents also the possibilities of qualitative research online.

Key words

data collection, data gathering, online research, quantitative research, qualitative research

JEL Classification: M31

Introduction

Online data collection is not realized in the real environment but in the virtual one, on the internet. Results represent exclusively the online population (Rosendorfská, 2012). Data collection before the era of the Internet was a very laborious and tedious process. Internet made it easier and faster, but in addition to its many advantages, it is important to understand the risks that accompany the gathering of data online.

The Internet is an important source of available information and, in addition, it is a powerful tool for data collection on the web. Types of retrieved data and the form in which they are needed, will determine where they will be found and how they should be collected.

Research online is for all the above reasons a growing industry itself, whether primary or secondary, and it is changing the way researchers think about research (Miller, 2001).

While considering the advantages and disadvantages of online research, it is important to understand what incentives motivate researchers to use the Internet and how they react to the technology involved.

Research on the internet in Slovakia is evaluated by Ondrejkočič as follows: "While in Slovakia, it is rather rare to use this procedure, it will be necessary to count with a gradual increase in the use of computer technology, not only at the stage of data processing, but also at the stage of data collection. It deserves a special method of communication with potential respondents in scientific research, whether it is an interview, questionnaire, study documents, or other, combined techniques in particular (Ondrejkočič, 2007)".

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1 Methodology

The goal of this paper is to provide an overview of the existing research methods, both qualitative and quantitative, in the online environment. The focus of this paper was to realize a theoretical research of information published in scientific papers and academic journals. The method of an overall analysis was used to gather and evaluate all the available knowledge on data collection online.

2 Main results

Collecting data on-line denotes the collection of data through a tool such as a website, via email, or on any other web-based platform that collects data in real time and records them in the desired form for statistical and analytical purposes.

Online research enables an efficient acquisition of large amounts of data in a short time. The online environment is for certain target groups preferable because it allows a disclosure of visually richer data than traditional collection and observation using photos or videos (Rosendorfská, 2012).

Collecting data online was preceded by the mentioned strenuous data gathering with traditional methods that require paper, pen and an important amount of time. "This often meant for the researcher to have access to employees or interns for the fieldwork to ensure a satisfactory amount of data. (Lefever et al. 2007)" Compared to these time and money consuming methods, data collection online starts to widely spread across research fields.

2.1 Advantages of data gathering online

Across the scientific literature, the same advantages of online data collection are mentioned and those are mostly related to the benefits of the Internet. World Wide Web presents the following advantages (Carbonaro, Brainbridge, 2000):

- access to a wide and diverse population,
- it prevents the loss of data,
- simplified transfer of information into a unified database for later analysis,
- improved response rate, although at this point the authors examining this issue differ (Ilieva, Baron, Healey, 2002).

A simplified sending of completed online questionnaire via a click cannot be compared with the time demanding of a postal return in the traditional collection methods.

Lefever et al. (2007) states the main advantage of online research as the lower implementation costs - savings are mainly in paper, printing, postage costs, travel expenses and the cost of data entry. The estimated cost of savings with an online survey are half of those with traditional data collection methods. For larger samples, the cost saving manifests even more – those are savings thanks to economies of scale with a larger amount of data retrieved (Miller, 2001).

Online research provides another great advantage: the data is transferred directly into Excel spreadsheets or Word documents – without any risk of data transmission errors. The

authors of the research, however, noticed a technical problem in Excel document incompatibility with the selected statistical softwares for statistical analysis.

Between other mentioned advantages of online data collection, Stanton (1998) states the fact that in the online questionnaire, the respondent is not as free in his answers - the author of the survey can clearly set boundaries to his answers. The questionnaire on the website is exactly programmed to certain conditions under which it can be submitted. In the absence of an answer to any question or if any response is not properly validated, the respondent will be notified and invited to fill it up. Data from similarly completed questionnaires corresponds therefore to a fixed format.

Cabonaro and Brainbridge (2000) emphasize that the respondents should have an easy access to online questionnaires or to the used online platform. The respondents should not encounter any difficulties when filling it in, even those who are not very technically proficient. Amongst others, the online gathering should be subject to the highest information security for respondents and guarantee their anonymity.

2.2 Risks of data gathering online

Jeffrey M. Stanton and other authors characterize the main problems with data collection online as follows (Stanton, 1998):

- the issue of the representativeness of the sample of respondents,
- consistency of responses and technical limits,
- motivation of participating respondents
- obtaining a representative sample - the availability of the Internet,
- the participation rate of return and answers
- the possibility of generalization of the findings.

Representativeness of the sample

The determination of the research sample is an essential step in data collection because it is often impossible to encompass the researched topic in its totality. A reduced sample should contain all the characteristics of the original complete sample. "Each of the potential respondents should have the same chance to be part of the sample. According to the theory of probability, a random selection is the most appropriate technique, it is called a representative sample. (Michalová et al, 2011)" The representativeness of the sample in data collection online is even more problematic than with the traditional methods.

When sending online questionnaires via email, the characteristics of respondents are well known in advance. In return, when gathering data via this channel, the anonymity of respondents is lost, which is often perceived as a disadvantage and ethical issue.

On the contrary, questionnaires that use a web page as a delivery medium provide more anonymity, but it creates confusion as to the representativeness of the sample. Most of the documents posted on the web site are freely available to anyone who happens to find them through his browser. This approach may be technically corrected through passwords or access codes, but such a step increases the costs for customized programming. Similar limits may again rise with the respondent doubting the anonymity and confidentiality of his response (Stanton, 1998).

When making a survey accessible through codes and passwords there is a new risk – the respondent can give access to the survey to any other person among family, friends and colleagues, thereby distorting the results through an unrepresentative sample.

To tackle the problem of representativeness of the sample, a combination of the methods of collection is recommended – a combination of telephone and online survey – but this increases the overall costs (Miller, 2001).

Internet accessibility

One of the limitations is that the respondent needs to have a computer with internet access. "Slovakia is still behind European standards in the provision of Internet access to its citizens, but the percentage of users is slightly above the European average. This results from the published report of the European Commission's Digital Competitiveness and the state of digitization in the European Union. In Slovakia, 82% of the population has a DSL connection. (IT Asociácia Slovenska, 2014)"

In some areas, it should be taken into account that in 2013 Slovakia had a 3 million online population and that the largest group ages were 20-29 years and 30-39 years. Considering these age ranges, it is clear that in areas such as examining the consumer behavior of seniors, on-line data collection is not an ideal solution.

The previously mentioned report of the European Commission, Digital Competitiveness and the state of digitization in the European Union, "notes that the increase of digital skills is crucial in building a European digital society. It is also possible to compare the European Union to the United States of America - although the Internet is more often used by older Americans (in the U.S. 46% of people over 55 years never used the internet, while in the EU 59% of people over 55 years have never used it). (IT Asociácia Slovenska, 2014)" We can therefore say that in today's situation, demographic characteristics of the sample are different for traditional and online data collection.

Technical limits

Technical problems may also be another limit of the online data collection - they may arise due to the services from the internet provider or the inability of the respondent to use a computer properly. According to Lefever et al. (2007), email messages that possibly contain a questionnaire are often considered as a spam and immediately end up in the trash or spam section of a mailbox - either by deliberate erasure or automatically by tools to detect spam.

Participation in online surveys and return rates

Based on a research realized by Lefever et al. (2007), it was found that the rate of participation in online surveys is lower compared to the rate of participation using traditional data collection. However, respondents were surveyed voluntarily and that entails a higher quality of the data obtained. The authors see the interconnectedness between the length of the questionnaire, the concentration and willingness to continue of the questionnaire respondents. The extensiveness of the questionnaire is therefore a factor that reduces the quality of the responses.

In many cases, it is difficult to target specific audiences without giving the researcher an available contact database that matches the requirements of the research. A database of this kind is very difficult to get. The e-mail addresses are not concentrated in any database such as phone contacts. Spaming is also often perceived negatively by respondents and according to some jurisdictions, it is even illegal (Miller, 2001). In such cases, the most appropriate way is to link the questionnaire to a particular website. There, the return depends on voluntary basis of the site visitors to answer the questions. And even in this case a certain level of "randomness" of respondents cannot be avoided - a problem that also affects other data collection methods.

According to Comley (2000), there are three factors that strongly influence the return of questionnaires by online data collection:

- the look and style of the first page of the survey,
- the relationship between the site and the brand,
- the interest of the respondent or the relevance of the research for him.

Other risks of data gathering online

The respondent completes the questionnaire without coercion, and the time and place that suits him. According to Lefevere et al. (2007), such "freedom" may however, cause that the respondent will complete the questionnaire with delay, in many cases, completely forget about it. The respondent voluntarily chooses the time at which he decides to complete the questionnaire and thus may be influenced by other factors that will have an impact on the quality of his answers. He may be tired, angry, bored or otherwise intoxicated and therefore standard and identical conditions of the same time and place may not be guaranteed for the obtention of the data. Therefore, in some researches, the results of online and face to face interviewing may differ according to the situation and condition of the respondent. Someone queried while shopping in a shopping center will react differently to questions related to its purchase to a person who is out of reach of the marketing environment when sitting at home in front of a computer.

Lefever et al (2007) states that disseminating questionnaires via e-mail raises the issue of not updated or incomplete e-mail contacts, which reduces the response rate. When using an email contact, there is the question of ownership, according to whether it is the individual mailbox owner or the owner is an organization. Furthermore, it is not a rarity anymore for a person to have multiple e-mail addresses which created a duplicity in potential responses.

2.3 Quantitative methods of online data collection

It is used to investigate various phenomena on a large sample of respondents and it gathers data on the Internet that can be quantified. The findings and conclusions apply to the entire population or only to a select audience, according to the defined sample of respondents. It is important to note that not all methods of quantitative research can be implemented online (studio tests, mystery shopping, mystery calling, tests households).

Online questionnaires

As mentioned the basic and most commonly used tool for quantitative data collection is the questionnaire. Especially online questionnaires' popularity increased in recent years in

The online questionnaire can be distributed in different ways (Cerdin, Peretti, 2001):

- as the content of an email, which includes e-mail questions - this method has one significant drawback and that is the inability to create easily a Likert scale;
- as a URL or attachment in an email - email attachments disadvantage is that due to the incompatibility of information systems, the researcher may encounter technical problems when opening questionnaires. URL redirects the respondent to another website, which is the carrier of the questionnaire;
- as a letter by mail, stating the URL to the questionnaire (this method records a low response rate and is not recommended);
- through advertising on web banners or pop-up windows called. pop-ups.

Answers to online questionnaire can be collected via mail or on the Internet directly. When filling out the online questionnaire, the respondent is influenced by several factors (Miller, 2001):

- the size and type of monitor,
- resolution and color image
- view through a web browser - views may differ according to the browser used,
- the need to click through the different blocks of questions.

Responses to the online questionnaire can be distorted because of the multitasking of the respondent – with the possibilities the Internet, it is often the case that the user has to click through various windows and this reduces his attention.

The transfer of data from an online questionnaire to a database of responses is affected by the internet connection and its quality. If the connection quality is reduced technical problems arise it can discourage the respondent from filling the questionnaire in its entirety or cause only partial responses.

Because of the lack of standardization in computer hardware, software and network configurations, it is recommended for online data collection to use a standardized software with a minimum of necessary hardware configurations (Hunter, 2012).

In some sensitive topics, online questionnaire appear to be a more appropriate form, as it provides a sense anonymity. This factor affects the quality of responses and encourages the respondent to a greater openness and sincerity.

A good ground for the researcher to start searching for online respondents, are specialized forums in which individuals focus on a particular field or with specific interests. It is the perfect way to target selected target groups.

Online panels

A panel is a representative sample of respondents in a particular area, which structure corresponds to a population with certain characteristics. The attributes of the panel which should be clearly defined are: gender, age, region, size of the place of origin or education.

In online panels, there is representative sample of internet users who are recruited under specified conditions. Research institutions aim to build online panels of respondents in specific categories such as automobiles, finance, health, media, products or technologies (GFK, 2014). For many research questions, it is advisable to choose a specialized online panel, which gives a more accurate picture of the general population.

The online panel is a good solution to the problem of the representativeness of the sample in the online surveys via online questionnaires.

2.4 Qualitative methods of online data gathering

Qualitative methods of online data gathering can be used at different moments of the research process, both to better understand the object of research (in the exploratory phase), to build a questionnaire or to help explaining the results of a quantitative survey. They can also be the base for a research strategy to identify the perspective of individuals on a certain phenomenon (Réseau de recherche, 2011).

The use of the Internet and the opportunities that are offered in online data collection are wide and therefore here some example of qualitative methods of research online. They are much less used in the reality of scientific research, although they are offered as services by various organisation in the field of market research (Rosendorfská, 2012).

Online forum - a chat between several respondents to a moderator in real time and it is used for detecting spontaneous responses of the respondents to a particular topic. Its duration is usually two hours and is carried out at specific target groups, which under normal conditions are difficult to access for various reasons such as geographical distance.

Ethnographic blog - a discussion in an online space that can be shared by all respondents as well as by each individual separately. Respondents play a specified role - documenting ordinary activities such as the use of certain brands, their experiences, observations and the documentation is on the internet. The investigator should have access this way to the real behavior in the natural environment. This type of blog takes several days to weeks. Respondents should be encouraged by rewards or competitions.

Creative blog – it is similar to the previous blog, and is used to gather ideas for future innovations (new products, services, etc.). Respondents must be strongly biased to the topic under consideration. This method requires a creative and communicative respondent who is interested in the subject.

Research video via webcam - spontaneous reactions of respondents to various stimuli (images, video, audio) are recorded via a webcam. Respondents must meet the required conditions. This is a classic interview with open questions, which is evaluated by qualitative researchers. The aim is to visually record spontaneous, verbal or non-verbal response to stimulus. Such a research takes 5-10 min. It is a visualization complement to research with video material.

Online focus group – Miller (2001) analyzes the topic of online focus group, or group discussions according to pre-prepared script with an experienced moderator. The author compares the discussions carried out face to face, by telephone and online. The first striking difference was in the length of expression and the quantity and type of words used in communication. When working online, it has been shown that groups used stronger words (in a negative or positive sense). The reason for this difference was that people express themselves differently in written and verbal expression - the author explains it through a lower sense of social pressure and through a sense of greater anonymity online.

3 Discussion

The following table presents some of the advantages and disadvantages that have been discussed in the previous text. It is, however, important for the researcher to consider a combination of qualitative and quantitative methods since they allow a pre-research before the realization of a quantitative research to a certain topic.

Tab. 1 Advantages and disadvantages of online data collection

Advantages	Disadvantages
Cost effective	Expensive to set up and configure
Time saving	Risk of lower return rates of responses
Automatic data transfer and technical link to their processing	High variability of conditions in which respondents are involved when taking the survey (exception of methods where the conditions are controlled)
The team of researched has a direct access to the results of the survey.	Risk of a unrepresentative sample – the whole population doesn't have access to Internet or do not have the computer skills required
The survey can be tailored to the need of the research.	Respondents with older computers or weak internet connections will be unwilling to engage in the survey
Possibility of sending a reminder to respondents to take part in the survey	Inability to control the sample of respondents
Higher numbers of respondents	Risk of repeated involvement in the same survey by one respondent
Access to a geographically dispersed population	Risk of shorter answers than on written paper.
Online data gathering is suitable for pre-testing the topic of the realized research	

Source: Own processing

Conclusion

A few years ago, carrying out an online research required expert knowledge in computer science for a proper survey design and programming. Today, the situation of researchers is facilitated through Internet projects which allows them a quick and easy setup of online questionnaires.

Many of the mentioned risks associated with the collection of data online, and even disadvantages associated with completing online questionnaires will become less common due to the increased digitization of the society.

The representativeness of online samples will become less of a problem due to the increasing technical knowledge of computer users.

The topic in which data are collected and the required representative sample have a significant impact on the suitability of online data collection. It is up to the researcher to consider based on his knowledge and experience, if this method of data collection is suitable for the need of the research.

It should be noted that the existing research in online data collection still pays relatively little attention to the possibilities of quantitative methods of research online. In the foreign literature, the resources on the collection of primary data through electronic questionnaires are many. This topic is associated with an analysis of their advantages and disadvantages. It would be interesting to examine in further research other online qualitative methods, which were mentioned in our paper.

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Current Economic and Trade Challenges between the Region of Central and Eastern Europe and China¹

Gabriela Sopková² – Tatiana Hlušková³

Abstract

More than sixty years ago, Central and Eastern European countries were the first to recognize the legal status of the People's Republic of China; this action has been considered to be a pillar of their cooperation. The value of the aforementioned countries' mutual trade was more than 50 bil. USD in 2012, which indicates the rising trade interaction. Common interests could be observed in the fields of foodstuffs, machinery and alternative energy. Even though the CEE countries account for only one tenth of the overall Chinese – European trade, the potential of the cooperation is immense. The aim of the article is to analyse the mutual economic and trade cooperation between China and the Central and Eastern European countries, as well as to point out the challenges and opportunities associated with this collaboration. The authors also examine the current trade relations between Slovakia as a part of CEE and China. The main conclusions include existence of strong international business ties between CEE (notably V4 countries) and China and identification of new opportunities of trade between these countries.

Key words

Central and Eastern Europe, China, trade, cooperation

JEL Classification: F13, F17

Introduction

China-EU partnership has experienced a dynamic development in recent decades, however, the relations between the CEE (Central and Eastern Europe) and China are still underestimated. China held the economic and trade forum with CEE countries for the first time in 2011, in Budapest. The next step was the visit of Chinese Prime Minister Wen Jiabao to Poland and putting forward 12 measures which greatly promote the bilateral relations. Many cooperative agreements between China and enterprises from the CEE have started. Furthermore, China has sent more than 30 trade promotion delegations to CEE countries. The very successful meetings, such as the Special Tourism Product Promotion Meeting, the Cultural Cooperation Forum and the Education Policy Dialogue were held in May and July of 2013. To sum it up, China and CEE countries have broadened the scope of cooperation and increased the cooperation level. (Zuokui, 2013)

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1 Methodology

The aim of the article is to analyze the mutual economic and trade cooperation between China and the Central and Eastern European countries, as well as to point out the challenges and opportunities associated with this collaboration. Several scientific methods were used while writing the article, e.g. historical method, which was used to examine the development of the CEE-China relations. Methods such as analysis and synthesis were used to process the data from secondary sources. The authors also applied the induction method. Finally, the method of comparison was used to compare the past and present trade relations between Slovakia and China.

2 CEE and China

During the Cold War, CEE countries (table 1) belonged to Soviet Union's sphere of influence and Chinese scholars used to mark these countries by the term "Eurasian countries". Nowadays, China develops the relations with the CEE countries as a group and makes clear that they are not more "Russia oriented" but "European oriented". (Zuokui, 2013) From 2009 up to now, China and the CEE countries entered a new era of cooperation – the regional approach.

Tab. 1 List of CEE countries, 2014

Central and Eastern Europe Countries	
Estonia	Bulgaria
Latvia	Slovenia
Lithuania	Croatia
Poland	Albania
Germany	Bosnia-Herzegovina
Czech Republic	Kosovo
Slovakia	Macedonia
Hungary	Montenegro
Romania	Serbia

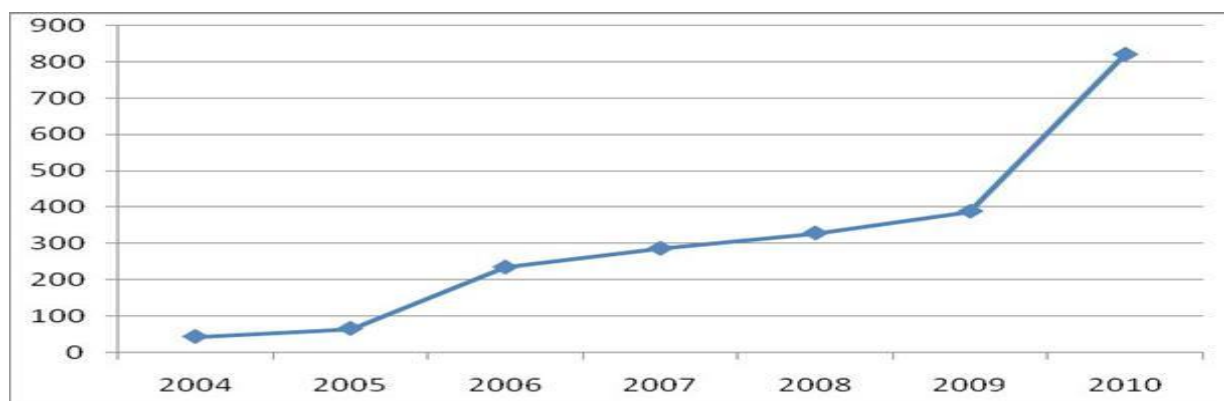
Source: based on the data by the Global Finance, 2014.

The trade between China and the CEE countries increased its volume and reached 52 bil. The USD in 2012, which is almost 6 times more than in 2003. However, it still accounted for only about 10% of the EU-China trade (Yinan & Wa, 2013). From 2010, China has become very important exporter of FDI. (Baláž a kol., 2012) Moreover China encourages enterprises to make investment abroad, so there is a lot of visible investment also in CEE countries, especially in Hungary and Poland (graph 1). Nevertheless, not only the trade between the CEE countries and China expanded. In recent years, people-to-

people exchange is rising. It covers wide range of areas such as education, culture, tourism and sciences. For example, at Shanghai Expo, the Poland pavilion was one of the most popular. (Tianping, 2013)

The trade volume between China and V4 is about 71,6% of the trade between China and the CEE countries. For example, Wanhua Industrial Group acquired full control over Hungarian chemicals company Borsod Chem in February 2011 and Liu Gong Machinery Corp. finalized its agreement to acquire Poland's Huta Stalowa Wola in 2012.

Graph 1 China outward FDI in CEE, 2004-2010, millions of US dollars



Source: based on the data by CEE Development Institute, 2012

Both China and the CEE countries are against any form of protectionism and are beneficiaries of trade liberalism. China is projected to overtake the USA in 2016 and become the largest economy in the world according to OECD forecast, so the cooperation and status of perspective partner is very essential for all of the CEE countries. (Tianping, 2013)

China is promoting the cooperation with the CEE using several means: in 2012, it established the Secretariat for Cooperation between China and Central and Eastern European Countries. It also sent more than 30 business delegations to the region and opened a credit line for the CEE countries, worth 10 bil. USD. (Yinan&Wa, 2013) The loans should be used for infrastructure projects or environmental technology.

One of the recent examples of strengthening China-CEE relations is the Economic and Trade Forum China–Central and Eastern European countries, which was held in Bucharest on November 26, 2013 under the auspices of Romanian government. The forum was attended by the officials from 17 countries (including Chinese prime minister Li Keqiang) and also by more than 1 500 business participants. The Forum was focused on these main areas of cooperation: infrastructure and transport, energy, agriculture, information and communication technologies and tourism. During the meeting, China and CEE countries expressed their interest to double the mutual trade in the next five years. (Romanian Government, 2013) Previous forums in 2011 and 2012 were held in Budapest and Warsaw, respectively. (Stefanescu, 2013)

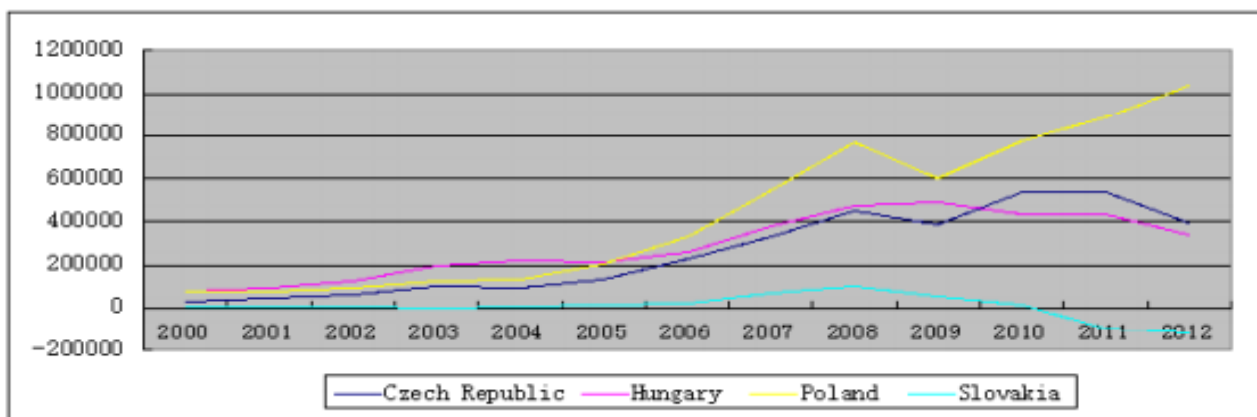
Li Keqiang stated that China will take measures to boost the trade by hosting meetings with commerce ministers of the CEE countries, exhibiting the region's products in China and by holding agricultural and trade forums as well. (Yinan & Wa, 2013) Similar

forum was held also in the Chinese city of Chongqing on July 3, 2013. It was organized by the Chongqing Committee of China Council for the Promotion of International Trade. Its goal was to promote the information exchange and the two-way investment and trade cooperation between China and the 16 Central and Eastern European countries (China Council for the Promotion of International Trade, 2013).

One of the Chinese areas of interest is the energy sector. China-CEE Investment Cooperation Fund bought 16% stake in Polish Energy Partner company (PEP) in August 2014, with the aim to finance the construction of 380 megawatts of wind farms by 2016. Another possibility for Chinese investment is the plan of PEP to complete the Poland-Germany gas pipeline by 2018, which would have a capacity to ship 5 billion cubic meters of gas a year. (Mierzejewski, 2014)

Focusing on Visegrad countries (Slovakia, the Czech Republic, Hungary, Poland), Hungary has always led the cooperation between China and the CEE. Poland and the Czech Republic kept criticizing China due to its human rights and Tibet issue during the period of 2003-2009. In this time, Slovakia and Hungary refrained from criticism and tried to keep every opportunity to promote the bilateral trade with China. Even in May 2010, when Viktor Orbán, anti-China politician, was elected, it was still clear that Hungary will try to remain in the centre of the China-CEE cooperation. Other countries also began to accelerate development of their relations with China, but not on such a scale as Hungary. (Zuokui, 2013). Trade balance between China and V4 can be seen in Table 2.

Tab. 2 Trade balance between China and V4 (2000-2012)



Source: Kong, T: China – V4 trade relations: http://fmv.euba.sk/files/China_V4.pdf

Czech Republic and China: Mutual relations between the Czech Republic and China seem to be intensifying in the recent time. Czech president Miloš Zeman visited China on the occasion of the 65th anniversary of the establishment of diplomatic relationship between the two countries. According to Chinese president Xi Jinping, the Czech Republic might play a greater role in strengthening of the China-EU relations, as well as in enhancing the China-CEE cooperation. The presidents also signed cooperation documents in areas as diplomacy, civilian nuclear energy, finance, healthcare and culture. (Embassy of the People's Republic of China in the Republic of Poland, 2014) M. Zeman also held talks with the representatives of Bank of China, which is set to open its first branch in the Czech Republic in 2015 (Finweb, 2014).

Hungary and China: Hungarian exports to China are concentrated in two commodity categories, machinery and transportation equipment and manufactured goods. The share of machinery and transportation equipment in total exports increased while the share of manufactured goods decreased in the period of 2000-2012. The share of machinery and transportation equipment in total exports accounted only for 7.68% in 2000. It has risen significantly to 79.61% in 2009, by 2012, it amounted to 73.15%. During the 2000 -2012 period, the share of manufactured goods on the overall exports experienced downward trend: from 50.43% in 2000 to 19.20% in 2007, then recovered to 24.69% in 2012. Chinese exports mainly concentrated in the same two categories of commodities: machinery and transportation equipment and manufactured goods. These two groups had maintained 97-98% share of total exports in the fore mentioned period. (Tianping, 2014)

Poland and China: China is the second biggest Polish importer. The imports were highly centralized in two commodity categories: machinery and transportation equipment and manufactured goods. These products represented 87-93% share of the overall Chinese exports to Poland in 2000-2012. In 2012, the share of machinery and transportation equipment was 43,87%, whereas the share of manufactured goods was 49,82%. had taken up predominated share in total exports, it accounted for 87-93%. However, export commodities from Poland to China were more diversified, including crude material, chemical products, machinery and transportation equipment and manufactured goods. (Tianping, 2014)

3 Chinese-Slovak economic relations

Economic relations between China and the Slovak Republic are based on 11 agreements, 7 of which date back to period of the Czechoslovak Socialist Republic and the Czech and Slovak Federative Republic, respectively. 4 agreements between China and independent Slovak Republic cover scientific cooperation, cooperation in forestry, cooperation in industrial products inspection and cooperation between export-supporting institutions, Export-Import Bank of the Slovak Republic and China Export and Credit Insurance Corporation. (Ministerstvo zahraničných vecí a európskych záležitostí Slovenskej republiky, 2014a)

Value of Slovak exports to China is the highest among the CEE countries (as for the year 2012). The rise of Slovak exports in the recent years can be attributed mostly to the car industry – passenger cars account for nearly 80% of the total Slovak exports to China.

However, the Slovak exports to China declined in 2013 (table 3), which can be attributed mostly to the decline of car exports. Imports of cars and car components from Slovakia fell 18% in the first half of 2013, compared with the same period of the previous year.

Tab. 3 Foreign trade between Slovakia and China in 2010-2013 (mil. USD)

	2010	2011	2012	2013
Export to China	1 429	2 193	1 788	1 597
Import from China	4 292	4 884	4 869	4 329
Balance	-2 864	-2 691	-3 081	-2 732

Source: based on the data by the Ministry of Economy of the Slovak Republic

Passenger cars and car components accounted for as much as 77,1% of the overall Slovak exports to China in the first six months of 2013, followed by the machinery and equipment (10,4%). Other categories of goods account each for less than 2% of the overall Slovak exports to China.

China was the fifth biggest importer to Slovakia in 2013, with the imports value of 4,329 bil. EUR. However, China is only the tenth biggest export market for Slovakia, with exports value of 1,597 bil. EUR. Nevertheless, China is Slovakia's second largest non-EU export market (the biggest one is Russia).

According to the Ministry of Foreign and European affairs of the Slovak Republic, the most promising areas for potential export to China are machinery (namely electric machinery and equipment), automotive industry (passenger cars and car components), energy (including renewable energy resources), foodstuffs and services (software, architecture, financial and engineering consultancy). Other commodities suitable for exports are special building materials, energy intensity-lowering technologies, technologies aimed at environment protection or luxury goods (wine, spirits, jewellery or crystal cut glass). (Ministerstvo zahraničných vecí a európskych záležitostí Slovenskej republiky, 2014a)

Chinese government supports the imports of advanced and innovative technologies, e.g. biotechnology, nanotechnology and new materials. Slovak companies with applied research and innovative products might pursue these opportunities in the Chinese market.

Possible cooperation might also occur between Chinese universities or research and development centres and various Slovak entities, in the forms of e.g., joint projects.

The value of Chinese foreign direct investment in Slovakia is the lowest among the V4 countries. It is caused by the scarcity of investment offers, traditionally cautious approach of Chinese investors and their insufficient knowledge about the investment environment in Slovakia, but also by the lack of complex institutional support for investors in Slovakia.

There are only four major projects of Chinese investors in Slovakia: Lenovo, Huawei, ZTE and ZVL Auto Prešov.

Institution trying to encourage the cooperation between the two states is Slovak-Sino Chamber of Commerce. It was established in 2012, with the goal to promote the development of the relations between Slovakia and China in the fields of trade, industry and tourism. In order to reach this goal, the Chamber cooperates with entrepreneurs and institutions from both countries and organize various events aimed at broadening of the Slovak-Sino contacts. (Slovensko-čínska obchodná komora, 2014)

Chinese and Slovak authorities organize numerous events aimed at support of the mutual economic cooperation. The examples of the most recent include (Veľvyslanectvo

Slovenskej republiky v Pekingu, 2014; Ministerstvo zahraničných vecí a európskych záležitostí Slovenskej republiky, 2014b):

- Slovak-Sino Chamber of Commerce and China Council for the Promotion of International Trade -Shenzhen Sub-Council (CCPIT) jointly organize Shandong Business Days in Slovakia on July 2-3 2014, aimed at the cooperation and information exchange in trade and investment between Slovakia and the Chinese province of Shandong.
- Presentation of Slovak automotive industry and design, which took place in the Slovak embassy in Beijing on May 30, 2014. It was the first ever presentation of this Slovak industry in China. The event was divided into three parts: Slovak automotive industry, Slovak automotive design (presentation of the unique Slovak invention – „flying car“) and company Kinex Bearings, which has recently established affiliate in Beijing.
- The 2nd Economic summit, which was held at the Farm of Chinese-Czecho-Slovak friendship in Cangzhou on May 23-26, 2014. The aim of the summit was to present investment and trade opportunities in the participating countries, which included (except Slovakia and the Czech Republic) European (Albania, Armenia, Estonia, Georgia, Lithuania, Poland, Slovenia, Montenegro, Moldova, Malta and Romania), Asian (Kazakhstan, Laos, Thailand, Iraq), American (Canada, Peru, Uruguay) and also one African country, Algeria. Slovakia introduced projects in the fields of construction and tourism, but also Slovak mineral waters. The summit offered an opportunity for presentation for several Slovak companies, as Spinea, Kinex, COOP Jednota and Vinex winery.
- The third meeting of national co-ordinators of the enhanced China-CEE cooperation took place in Beijing on May 12-13, 2014, with the participation of Chinese Minister of Foreign Affairs, Wang Yi. The discussion was aimed at evaluation of the past activities and suggestions of possible solutions in the problematic areas of cooperation. The enhanced China-CEE cooperation involves 16 countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia.

Conclusion

China, as one of the most important economies in the world, remains to be very active in trade relations with Europe. The vast majority of the CEE-countries is no longer in the Russian sphere of influence – on the contrary, they are EU-oriented. China also noticed their economic potential and started to invest in the region. Cooperation with China might help geographically diversify the inward investment and exports of the CEE countries. Another possible line of cooperation is agriculture. China is pursuing the opportunities abroad, one of the recent examples is the purchase of agricultural land in Ukraine. As for Slovakia, it could benefit from the strengthening trade relations, as its exports are heavily dependent on the EU countries and their demand on the present. Automotive is the most promising industry for the Sino-Slovak economic cooperation.

However, non-CEE EU countries and the EU as a whole do not have only positive opinion concerning the CEE-China relations – in fact, they often regard the strengthening CEE-China cooperation as a threat.

Rising domestic consumption in China offers new export possibilities for the CEE countries. The cooperation with universities or research centres might help develop research in CEE, which could be especially important for Slovakia with its insufficient research financing, but also with the huge potential of researchers in certain fields.

Inward investment from China to CEE could help – at least – create employment, even though the value added of the produced goods might be questionable. On the other hand, China as the largest market in the world presents great opportunity for the CEE companies willing to invest abroad. As the development after the fall of the communist regimes shows, enterprises from Central and Eastern Europe are willing to expand abroad, either in the form of exporting their goods or outward foreign direct investment.

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Analysis of the Development of SMEs in Slovakia in Relation to the Change of Economic Instruments in 2013 and 2014

Helena Strážovská¹

Abstract

Since January 1st, 2005, there is established a new definition of small and medium-sized enterprises (SMEs). According to this definition, organization is considered as SME, if it meets the following conditions: it is a business engaged in economic activity; it has fewer than 250 employees; it has an annual turnover not exceeding 50 million EUR; its final balance does not exceed 43 million EUR, and the enterprise is autonomous. The paper is focused on the development of SMEs with emphasis on the period when Slovakia joined the EU and the Eurozone, positive and negative aspects of development, analysis of changes since 2013 in the management of SMEs and development perspectives. Relationships are evaluated with respect to the development of SMEs in the EU, the Eurozone and Slovakia.

Key words

SMEs, European Union, Eurozone, economic instruments

JEL Classification: M21

Introduction

Primary we would like to recall, that the SMEs started to pay considerable attention after 1971 after Bolton Conference, which defined the characteristics of small and medium-sized enterprises. Today it is necessary to emphasize those features, which include:

- SMEs have a small market share,
- SMEs are managed by the owners (entrepreneurs) and not through a formal management structure,
- SMEs do not form part of another larger company, which means that they are independent.

These important characteristics were taken into account at the time when the EU was establishing basic rules and characteristics of small and medium-sized enterprises. We mean year 2005 and subsequent periods. They are presented in Table. 1.

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Depending on the perception of this, we divide SMEs in Slovakia by size:

Tab. 1 Layout of SMEs in Slovakia by size

Enterprises	Number of employees	Annual turnover	Annual balance sheet
Micro	1-9	≤ 2 million EUR	≤ 2 million EUR
Small	10-49	≤ 10 million EUR	≤ 10 million EUR
Medium	50-249	≤ 50 million EUR	≤ 43 million EUR

Source: Odporúčanie komisie. 2003. 369. ES. 6.5 2003 o definícií MSP

SMEs are the driving force of the European economy and they represent an important source of employment. Within the European Union, micro enterprises and small and medium-sized enterprises represent 99% of all enterprises. Like in Slovakia, they provide jobs for about two-thirds of all employees in the private sector and their contribution to total value added is in the range of 50-60%. Within the European Union, 9 out of 10 SMEs are micro enterprises. Their number continues to grow. Between 2003 and 2010 increased number of SMEs in the European Union by about 11% to nearly 21 million. Number of employees in SMEs increased by 7.5 million, i.e. about 6% and reached 133 million workers. This upward trend is observed also in Slovakia.

On the other hand, barriers in business accompanied the development of SMEs. Entrepreneurs see them as follows:

Tab. 2 Barriers to business in order by size

1. High costs on employee	7. Inappropriate adjustment of legislation
2. Strong competition	8. Corruption
3. Low qualification of the workforce	9. Low support by administration authorities
4. Heavy tax load	10. Secondary insolvency
5. The administrative load	11. Criminality
6. The high cost of renting	12. Low accessibility of loans, etc.

Source: Strážovská, L., Kiss, G. (2014). Postavenie výskumu a vývoja v malých a stredných podnikoch na Slovensku. In *Ekonomika cestovného ruchu a podnikanie*. 6(1), 73-79

SMEs can be considered as a source of innovation. These are the assumptions that form the basis for competitiveness. The European Union has set as its objective to create favourable conditions for the establishment of other new small and medium-sized enterprises. The European Union SME policy is now part of the Europe 2020 Strategy. The strategy aims to make the European Union the most competitive and dynamic knowledge-based economy in the world. Slovakia followed these tendencies gradually.

1 Methodology

In the text we worked primarily with methods of economic statistics. For evaluation of input information, mean values were used in its entirety. For the needs of the research area of text we have used dynamic lines, and particularly proportional numbers. In addition to statistical methods, in the text was adopted analytical approach, that is, the process of in-depth knowledge in order to prepare the ground for balanced decisions. The text also requires the use of methods of synthesis and the development of higher level indicators. Rendering graphic visualization methods were used in the text not only for visual display, but also for the graphical analysis. Those methods have been used mainly in research part of the article.

2 Results and Discussion

Development of small and medium-sized enterprises in Slovakia can be divided into several phases. Year 1993 is significant, that is year of establishment of the Slovak Republic, which meant for the business environment favorable development in terms of entrepreneurial activity. Later, in the process of favorable development came negative consequences of the global economic crisis, that have been felt mainly in 2009, which was also the time of Slovakia's entry into the euro area. In the frame of the analysis of the various stages of the development of SMEs in Slovakia we can observe significant changes and differences:

1st Stage of SMEs Development - 1993-1998

Years after the establishment of the Slovak Republic and beyond the year 1998 can be considered as a first major step in development of SMEs. It is primarily characterized by a growing tendency.

Legal persons - companies in this period showed an upward trend. Development of the business sector showed a value of 2.04, i.e. at the end of this period, the number of SMEs has doubled, when compared to 1993.

Individuals – entrepreneurs - at the beginning of the period, the share of small trade licensees exceeded to 93.3% of the total number of entrepreneurs. In the following years there was a slight decrease in the number of small trade licensees, but there was also the fall in the number of entrepreneurs. The revival came as late as in 1998, and thus increased the share of small trade licensees.

This period was in terms of business environment especially favorable for micro and small enterprises. During this period entrepreneurs were employing at an average 3-4 employees. With this in mind, it is understandable that the increase of businesses did not bring the significant impact on a decrease of the unemployment rate.

In any case, the creation and development of SMEs meant a significant contribution to the national economy and it also became a factor in the slow process of gradual decrease of the unemployment rate.

2nd Stage of SMEs Development - 1999-2003

Since 1999 Slovak economy performance was rising. When evaluating the development of the economy in this period, we have to mention the problem of too high unemployment rate, which in 1999 stood at 19.2%.

The year 2000, however, was more successful than the previous one, it was evidenced by an increase of number of small trade licensees. In legal entities group increased most the share of a limited liability companies. Significantly were developed micro enterprises, which reached the share of 70% of all enterprises.

The growth and development rate of companies with limited liability during the observed period were relatively high.

Entrepreneurs considered this legal form of business as the most advantageous. The most common reason of selections companies with limited liability, as a legal form of business, was the acceptance in foreign markets.

3rd Stage in Development of SMEs - 2004-2009

During this period, Slovakia entered the European Union and the business environment was gradually adapting to the Europe. Significant change had appeared in the definition of SMEs, when the European Commission, by Directive no. 2003/361/EC, which came into force from 1.1. 2005, adjusted basic criteria for their evaluation –they are as follows:

- number of employees,
- annual turnover,
- total sheet referred to in the annual balance sheet.

The year 2009 brought new factors affecting the development of SMEs. These might include the adoption of the common European currency - the Euro and the deepening of global financial and economic crisis. Above mentioned factors simultaneously have both positive and negative impact, and their effects are hardly separable. In the meantime, the continuous growth of the national economy has been interrupted. However, SMEs also in this period showed an upward trend, as well as legal entities, especially limited liability companies and individual entrepreneurs. Among individual entrepreneurs increased significantly the number of small trade licensees, while the number of self-employed farmers had a long term downward trend.

SMEs played a high key role in creating jobs, they were employing about 70% of the total number of employees and they highly participated in the creation of the value added, by approximately 50%.

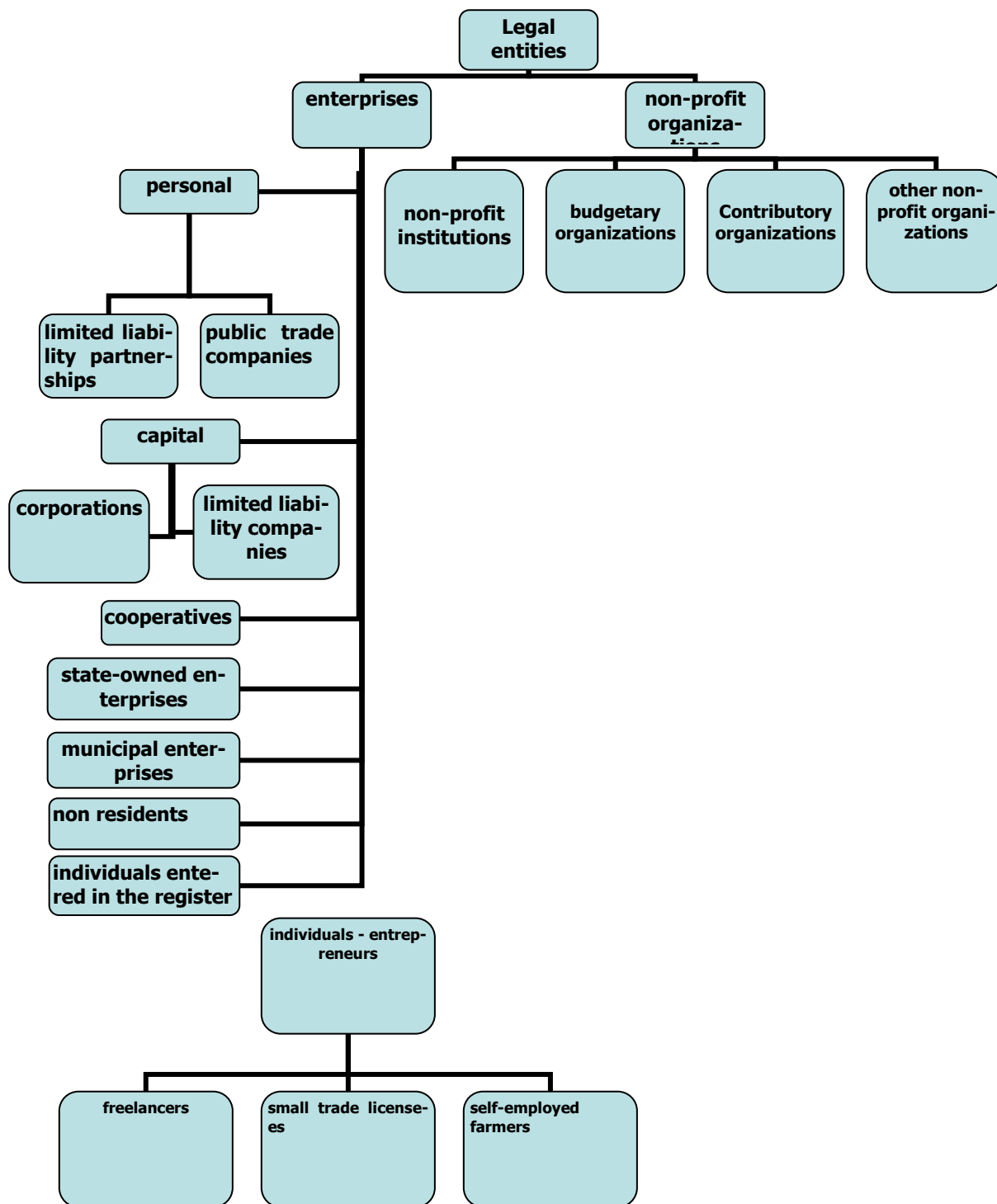
4th Stage in Development of SMEs - After 2009

In 2009, the Slovak economy started to fall down. There was a slight fall in the number of business owners, but also decreased the number of employees in small and medium-sized enterprises. Entrepreneurs have been forced to lay off their employees in order to stay on the market. However, SMEs continue to live and employed about 70% of the total number of employees. Up to 80% of legal entities were micro enterprises, and just their number increased every year. Conversely medium enterprises waned. While in 2001 their share accounted for 4.1% of all SMEs, in 2009 it was only 2.3%. This situation persists.

The largest portion, approximately 61.1% of SMEs was oriented to non-productive sectors, mainly in trade and services. Small trade licensees were focused primarily on trade and construction. Freelancers and independent farmers were influenced by crisis negatively. Freelancers showed an upward trend, while independent farmers showed a long-term downward trend.

The following are the various forms of legal entities with respect to their development since 2009.

Fig. 1 The structure of legal entities in Slovakia – legal entities and individual entrepreneurs



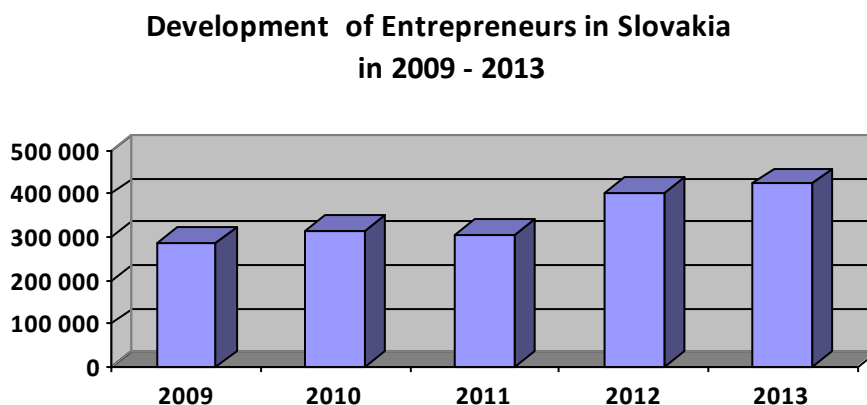
Source: Strážovská, H., Strážovská, Ľ., Bažó, L. et al. (2013) *Podnikanie malých a stredných podnikov*. Bratislava: Sprint2

Tab. 3 The structure and number of enterprises by legal form and number of employees

Legal form	2009 by number of employees			2010 by number of employees			2011 by number of employees			2012 by number of employees			2013 by number of employees		
	0 - 9	10 - 49	50 - 249	0 - 9	10 - 49	50 - 249	0 - 9	10 - 49	50 - 249	0 - 9	10 - 49	50 - 249	0 - 9	10 - 49	50 - 249
Corporations	2.678	1.306	673	3.322	815	656	3.193	1.043	631	3.346	915	585	3.369	984	585
Ltd. companies	82.650	18.358	1.930	104.046	7.946	1.750	107.873	11.872	1.835	115.773	9.414	1.718	127.521	10.827	1.811
Other trade companies	714	114	9	843	58	9	886	79	13	903	57	16	949	68	19
Cooperatives	688	542	227	828	441	213	799	489	190	809	463	170	805	475	150
State-owned Enter.	2	2	11	2	1	14	2	2	12	2	3	11	2	4	11
Contributory org.	165	306	230	160	300	234	159	292	228	141	295	224	133	295	215
Budgetary org.	1.726	3.737	1.069	2.100	3.386	1.066	1.749	3.657	1.097	1.622	3.760	1.113	1.793	3.529	1.059
Small trade lic.	143.629	7.573	87	146.909	2.264	79	135.026	4.016	109	217.266	1.899	77	222.449	2.072	82
Freelancers	14.428	204	2	14.605	49	2	14.744	74	2	16.070	56	2	17.251	70	2
Independ. farmers	4.550	59	0	4.468	22	1	4.363	28	1	4.805	15	1	4.961	22	0
Other legal forms	36.218	1.540	165	38.192	980	180	39.290	1.150	177	40.484	1.035	165	43.573	1.145	178
Summary	287.448	33.741	4.403	315.475	16.262	4.204	307.084	22.702	4.295	401.221	17.912	4.082	422.806	19.491	4.112

Source: Strážovská, H., Strážovská, Ľ., Krošláková, M., Bažó L. (2014). *Náuka o obchodnom podnikaní*, Bratislava: Sprint2

Graph 1 Development of Entrepreneurs in Slovakia in 2009-2013



y = number of entrepreneurs

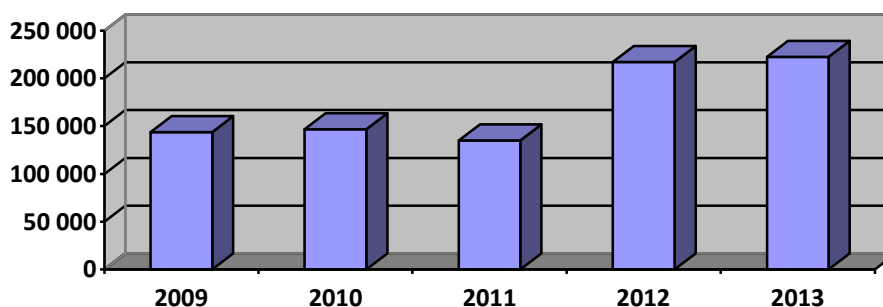
Source: Strážovská, H., Strážovská, Ľ., Krošláková, & M., Bažó L. (2014). *Náuka o obchodnom podnikaní*, Bratislava: Sprint2

The graph shows the five-year development of all businesses, the period of Slovakia's inclusion to the Euro zone till our present. It is evident that with the exception of 2011, our entry into the European structures was beneficial. We often remind this fact in two dimensions. On the one hand there is a promising future economic development, and on the other hand, there is strong negative impact of the global economic crisis on the country's economy.

In another place we have already pointed out, that the SMEs existence was expected being problematic after joining the euro area. It was assumed, that prices will increase enormously and there was also expected their problematic future existence. There were given also called "black boxes", which were discrediting those SMEs, who's prices increased by more than 5%. This idea did not find a sufficient understanding of the Slovak public and black boxes did not meet the expected effect.

Graph 2 Development of small trade licensees in Slovakia in 2009 – 2013

Development of small trade licensees in Slovakia in 2009 - 2013



y = number of small trade licensees

Source: Strážovská, H., Strážovská, Ľ., Krošláková, & M., Bažó L. (2014). *Náuka o obchodnom podnikaní*, Bratislava: Sprint Dva.

Small trade licensees represent a special category in the business process. Due to the complexity of economic development, particularly in relation to the changes of the content of economic instruments, it is significant, that in 2012 and again in 2013, they show an upward trend. Not surprisingly, the proportion of small trade licensees in the total number of entrepreneurs was the lowest in 2011; it was linked to the total number of businesses in this year, which was one of the lowest.

Small trade licensees in the overall structure of entrepreneurs represent the highest share. Therefore, the country depends on their positive development.

Enterprises of small trade licensees in the majority may be considered as micro. Their development in respective years was slightly increasing.

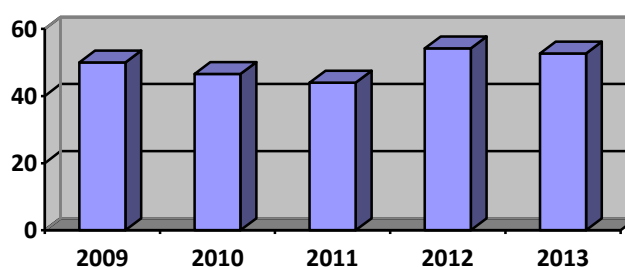
Tab. 4 Development of small trade licensees in Slovakia in 2009 – 2013

Year	Number of small trade licensees	
2009	2680	Enterprises traders showed in the period slightly increasing trend except in 2011.
2010	3322	
2011	3193	
2012	3346	
2013	3369	

Source: Strážovská, H., Strážovská, Ľ., Krošláková, M., Bažó L. (2014). *Náuka o obchodnom podnikaní*, Bratislava: Sprint2

Graph 3 The share of small trade licensees on the total number of entrepreneurs in 2009 - 2013

The share of small trade licensees on the total number of entrepreneurs in 2009 - 2013



Source: Strážovská, H., Strážovská, Ľ., Krošláková, & M., Bažó L. (2014). *Náuka o obchodnom podnikaní*, Bratislava: Sprint2

The graph displays the share of the number on the total number of entrepreneurs in years 2009 – 2013. It is clear, that small trade licensees in that period faced the adverse changes in economic instruments. Variety of business owners decided to change the legal form of their company, i.e. transition from forms of Sole Proprietorship to the form of

Limited Liability Company. We cannot say, that this change would resolve their economic situation.

In the next section of the text, it is necessary to consider the substantial changes in the content of economic instruments, which significantly affected the business processes of SMEs.

From 2013, changes in the Labour Code came into force, as well as changes in the taxes and contributions. The most significant changes were in the part "temporary employment". Under new approach entrepreneurs have to pay for their temporary employees except taxes also new contributions in the amount of 13.4% from their wages.

For employers, this meant an increase of their labour costs by 35.2%, which they had to pay for their temporary employees of the gross wage. The exemption was granted only to pensioners, pupils and students. These groups were exempted from paying contributions. Pensioners to the full earnings, while pupils and students below the age of 18 years to a maximum income of € 66, or students 18 to 26 years of income to a maximum of 155 euros per month.

Temporary employees working on an agreement with an irregular income have to pay contributions at 11% of their gross earnings; the employers must pay 32.8%. It was assumed, that due to significant changes in taxes and contributions with validity from 1.1. 2013, many small trade licensees could not handle the new situation and they will suspend or terminate the trade. On the other hand, it was assumed, that there will come new small trade licensees from among employees, who do not want to be dismissed from their jobs, so they decided to work on the basis of a trade license. These assumptions have occurred, while at the end of 2013, the number of traders increased by 5183, compared to the end of 2012.

Upcoming raise of taxes and contributions from 2013 caused an adverse reaction in businesses. They did not make investments, they laid-off employees and they were searching for other reserves. We have to take into account the increasing number of entrepreneurs that have moved away from Slovakia and continued their businesses abroad.

3 Summary of key changes in taxes in 2013

With effect from January 1, 2013, flat tax rate, i. e. the same tax rate for all businesses, was abolished. The tax rate has changed as follows:

- There are two rates valid for individual entrepreneurs.
 - Tax rate 19 % of the tax base up to 176.8times the subsistence level (i.e. EUR 34,401.74)
 - Tax rate 25% of the tax base exceeding 176.8 times the current subsistence level
- Tax rate for legal entities increased from 19% to 23%.

3.1 Change of the coefficient

The tax base of individual entrepreneurs is calculated from partial tax base of 2011 plus contributions paid to the social and health insurance, which is divided by a factor of 1.9 and the number of months of business. Coefficient will be reduced as follows:

- in 2013 it remained unchanged, i.e. 1.9,
- in 2014 is valid coefficient of 1.6,
- in 2015 will be valid coefficient of 1.486.

3.2 Invoices under the VAT Act

Amendment to Act no. 222/2004 in Statute, about the value added tax, as amended, effective as from January 1, 2013, transposes Council Directive 2010/45/EU of 13 July 2010 amending Council Directive 2006/112/EC on the common system of value added tax and introduces new billing rules. Aims of the new rules of invoicing in the EU are as follow:

- to amend the particulars of invoices to allow better control of taxes,
- to establish uniform treatment of cross-border and national transactions,
- to provide harmonized period for the issue of invoices in cross-border transactions,
- to contribute to the expansion of e-invoicing.

3.3 Guarantee

Entrepreneurs who pay VAT and it could threaten that the tax will not be paid, the state designated assembly required guarantee for VAT. This guarantee applies by the tax office, to pay the tax arrears. This new requirement applies only to selected entrepreneurs who are unable to demonstrate the ability to do business, but applying for registration for VAT. Level of guarantee is from 1,000 to 500,000 euros. Entrepreneurs must impose the guarantee to tax office for period of one year, without interest. The purpose of this guarantee is to increase tax collection. However, it may discourage new entrepreneurs.

3.4 Tax return entrepreneurs

Since 2013, a entrepreneurs in the tax return cannot count lump expenses of 40%, but they have to count real expenditures up to a maximum amount of € 5,040 per year.

3.5 Higher levies on dividends

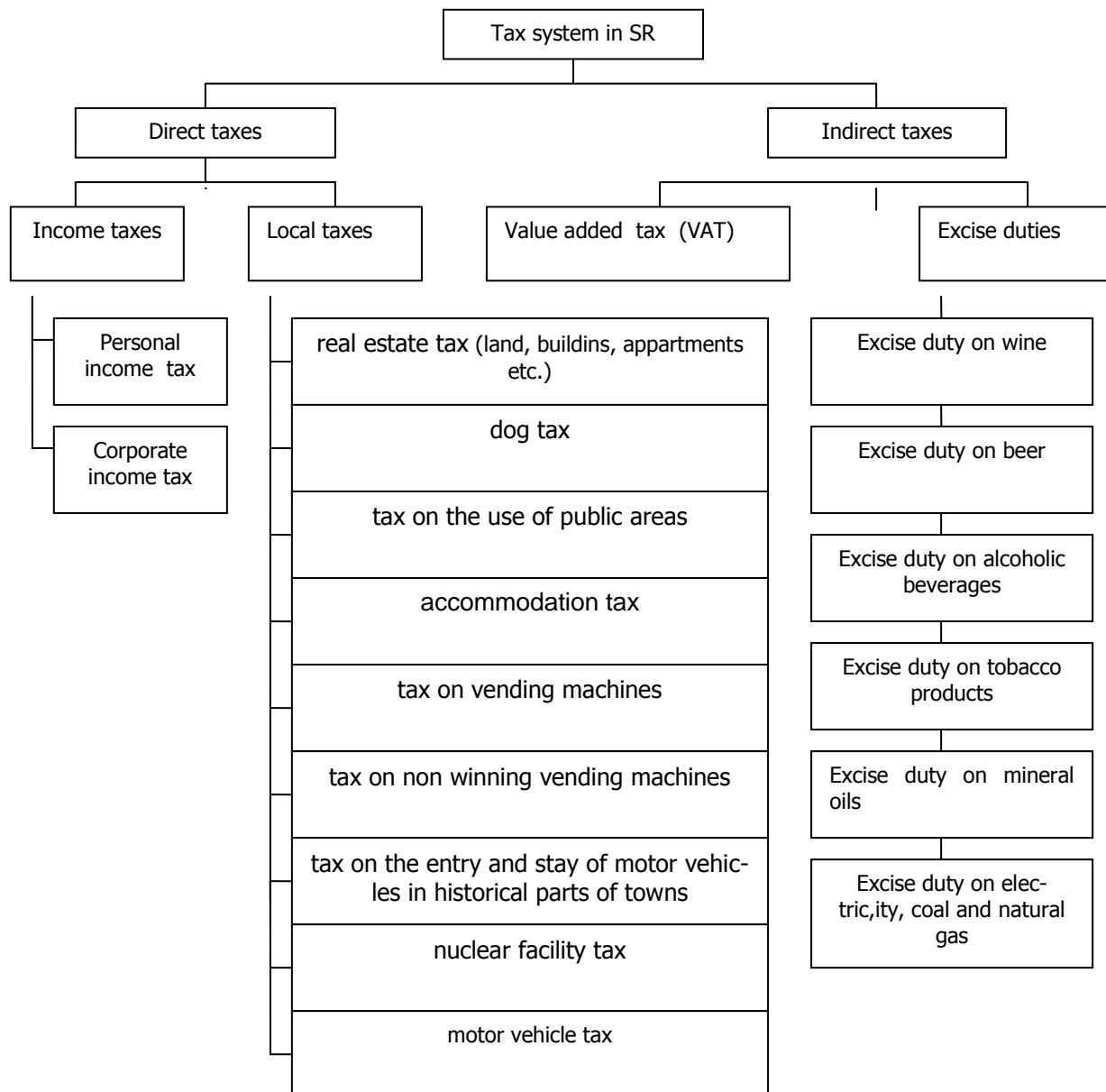
The rate of health insurance share of the profits increased from 10% to 14%. Finance Minister expected a positive impact from these changes in the tax system on the state budget. In 2013 increase in revenues of 376.6 million € was expected, in 2014, it was an increase of 415.9 million Eur. It happened.

All changes in the content of economic instruments could not be reviewed in detail. We will find space for them later. We strive Honored public will be aware of the difficulty of this time and our effort to find base to change the unfavorable economic results.

Probably it may be not be expected from any entrepreneur to fully understand the economic changes, that do not bring at that moment easy growth in revenues and profits, while a rise in claims in respect for hard work and economic rules. This process, however, has a positive starting point and this is the aim of economists.

In the next part of our article we introduce the tax system in Slovak republic in the scheme.

Fig. 2 Tax system in Slovak republic



Source: Strážovská, Ľ., Strážovská, H. (2010). *Malé a stredné podniky. Základy*. Bratislava: MERCURY s.r.o.

From the figure view it is clear that tax system in Slovak republic is relatively complicated, but in this economic process it is effective. In the next section of the article we present the system of health insurance and social security contribution on the example of employees in temporary job by agreement.

Tab. 5 System of health insurance and social security contributions on the example of employees in temporary job by agreement

	Employees in job on agreement with retirement age		Employees in job on agreement with disability pension or with service pension		Employees in job on agreement with premature retirement with regular income		Employees in job on agreement with irregular income		Other employees in job on agreement with regular income		Other employees on agreement with irregular income		Temporary job by agreement – students 18 - 26 years old	
	Em ploy ee	Em- ploy er	Em- ploy ee	Em- ploy er	Em- ploy ee	Em- ploy er	Em- ploy ee	Em- ploy er	Em- ploy ee	Em- ploy er	Em- ploy ee	Em- ploy er	Em- ploy ee	Em- ploy er
Sickness insurance	-	-	-	-	1,4	1,4	-	-	1,4	1,4	-	-	-	-
Retirement insurance	4	14	4	14	4	14	4	14	4	14	4	14	4	14
Disability insurance	-	-	3	3	-	-	-	-	3	3	3	3	3	3
Unemployment insurance	-	-	-	-	-	-	-	-	1	1	-	-	-	-
Guarantee	-	0,25	-	0,25	-	0,25	-	0,25	-	0,25	-	0,25	-	0,25
Injury insurance	-	0,8	-	0,8	-	0,8	-	0,8	-	0,8	-	0,8	-	0,8
Reserve fund	-	4,75	-	4,75	-	4,75	-	4,75	-	4,75	-	4,75	-	4,75
Health insurance	-	-	-	-	4	10	4	10	4	10	4	10	-	-
Together	4	19,8	7	22,8	9,4	31,2	8	29,8	13,4	35,2	11	32,8	7	22,8
Total zataženie	23,8		29,8		40,6		37,8		48,6		43,8		29,8	

Source: Dobšovič, D. (2013). *Odvody poisťného od 1.1.2013*. Príloha mesačníka Poradca. Žilina: Printcentrum, s. r. o.

Tab. 6 The comparison of health insurance and social security contributions on the example of employees and students with job contract and with job agreement.

	Job contract		Job contract with the student		Agreement on temporary job with students	
	Employer	Employee	Employer	Employee	Employer	Employee
Health insurance	10%	4%	10%	4%	-	-
Sickness insurance	1,4%	1,4%	1,4%	1,4%	-	-
Retirement insurance	14%	4%	14%	4%	-	-
Permanent invalidity	3%	3%	3%	3%	-	-
Injury insurance	0,8%	-	0,8%	-	0,8%	-
Unemployment insurance	1%	1%	1%	1%	-	-
Guarantee insurance	0,25%	-	0,25%	-	0,25%	-
Reserve fund	4,75%	-	4,75%	-	-	-
Total:	35,2%	13,4%	35,2%	13,4%	1,05%	-

Source: Dobšovič, D. (2013). *Odvody poisťného od 1.1.2013*. Príloha mesačníka Poradca. Žilina: Printcentrum, s. r. o.

In other parts of the text we deal with the changes in the insurance contributions of self-employed people which began operating since 2013.

Tab. 7 The amount of contributions of self-employed, which began operating in 2013

Health insurance	Prepayment in an amount according to own decision (minimum 55,02 €, maximum 550,20 €)
Sickness insurance	Only voluntarily insured person -4,4% (min. 70,74€, max. 172,92€)
Retirement Insurance	Not paid Only voluntarily insured person – 4,4 % (min. 17,29 €, max. 172,92 €)
Permanent invalidity	Not paid Only voluntarily insured person – 6 % (min. 23,58 €, max. 235,80 €)
Injury insurance	Not paid Only voluntarily insured person
Unemployment insurance	Not paid Only voluntarily insured person – 2 % (min. 7,86 €, max. 78,60 €)
Guarantee insurance	Not paid
Reserve fund	Not paid Only voluntarily insured person - 4,75% (min. 18,66 €, max. 186,67 €)

Source: Processed according to: Dobšovič, D. (2013). *Odvody poistného od 1.1.2013*. Príloha mesačníka Poradca. Žilina: Printcentrum, s. r. o.

In the next table we point at the changes in health and insurance contributions of small trade licensees in Slovakia since January 2014.

Tab. 8 Summary of changes in health and social insurance contributions of small trade licensees

Contributions to Social Insurance Office (in EUR)	2013	2014
Minimum		
Minimal assessment base for sickness insurance	393,00	402,50
Minimal assessment base for retirement insurance	393,00	402,50
Minimal contribution for sickness insurance	17,29	17,71
Minimal contribution for retirement insurance	112,98	115,71
Total minimal contribution	130,27	133,42
Maximum		
Maximal assessment base for sickness insurance	3930,00	4025,00
Maximal assessment base for retirement insurance	3930,00	4025,00
Maximal contribution for sickness insurance	172,92	177,10
Maximal contribution for retirement insurance	1129,87	1157,18
Total maximal contribution	1302,79	1334,28

Source: Strážovská, H., Strážovská, Ľ., Krošláková, & M., Bažó L. (2014) *Náuka o obchodnom podnikaní*, Bratislava: Sprint2

Conclusion

The most significant changes include changes in social and health insurance. These changes greatly affected persons engaged in system of entrepreneurship.

Increasing of the contributions to health and security system of insurance mostly affected and complicated the business of self-employed individuals because the minimum assessment bases were increased and they determined the total amount of their insurance contributions.

Another major change for small trade licensees' contributions was the creation of maximal health and insurance contributions, which has caused a new way of calculating taxes for the year 2013. Changes affected also the new definition of self-employed individuals, which means that self-employed person shall not be assessed depending on whether is registered in the tax office, but according to, what business income had reached in a given year.

From November 2013 new tax benefits are in validity, which allow to employ the unemployed people, where the employers for the first 12 months do not pay the entire contributions, but maximal wage limit for 2014 is € 539.30.

Significant change from January 2014 was the extension of the obligations relating to cash registers. This means additional costs for traders.

For business owners who are VAT payers, from 2014 the obligation to send the tax office together with the tax return also VAT control statement electronically was introduced. This obligation, according to the small trade licensees' statements, has caused additional burden for them.

Based on several research projects we can conclude that SMEs are largely influenced by the construction of new economic instruments. Entrepreneurs mainly complain the high rates of health and social contributions, poorly constructed business environment, and they need to facilitate access to credit and business support. We understand this process on both sides as necessary transitional period and sort out the shortcomings of previous years.

It is important to realize that economic instruments in force since 2013 and 2014, in principle bring positive effect on the overall economic development of the country and strengthen our position in the European structures.

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Environmental Responsibility of Highly Reputed Czech and Slovak Firms¹

Simona Škorvagová²

Abstract

Recent changes in the business environment and the global climate have led to calls for a new paradigm shift for sustainable development. This new way of thinking is emerging in order to solve severe environmental, economic, and social problems. Therefore, the effectiveness of sustainable business strategies will define the success for the future. Especially, environmental sustainability has become increasingly important as environmental problems have significant impact on society as a whole. Environmental responsibility might be the source of reputational competitive advantage. Therefore, the objective of this paper is to analyse the main differences in the level of environmental responsibility of Slovak and Czech award-winning green companies, and to compare the nature of their environmental commitment. Following the comparison, the results obtained indicate that the factors influencing green company awards differ between the countries, which are reflected in the fact that the awarded companies operate in various industries.

Key words

environmental sustainability, responsibility, green companies, competitive advantages

JEL Classification: Q01, Q56

Introduction

Recent changes in the global economy have highlighted the necessity of finding a balance between business and societal needs and nature's potential to address them. The topic of sustainability has captured serious attention from multiple stakeholders, including policymakers, consumers, and managers. Sustainability has been characterized as an emerging megatrend (Sheth et al., 2011). Defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (UN, 1987), sustainability is an approach that is altering established norms and rules for companies worldwide (Chabowski et al., 2010). As a concept with multiply dimensions (environmental, economic, social), sustainability is an approach needed to be integrated into core business operations and strategy. In other words, companies should conduct their business in ways that improve long-term economic performance while avoiding behavior that is socially detrimental and environmentally damaging (Porter & Kramer, 2006). Most global companies recognize the considerable importance and business significance of sustainability (McKinsey Global Survey, 2010; Sheth et al., 2011; WEF, 2010).

¹ VEGA 1/1185/12 Changes in consumer trends, which are under conditional impact of the financial-economic (social) crisis, the reflection of modifications in business marketing programs, in order to retain their competitiveness on international markets. Chief researcher: doc. Ing. Oľívia ZORKÓCIOVÁ, PhD.

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Sustainability has been predominantly used in relation to environment (Baden & Harwood, 2012). The term has broadened to include social and economic dimension. However, as the number of environmental issues has recently increased, environmental sustainability is of a great significance for a business and the way it deals with its challenges might affect its success for decades to come. According to the study by the World Economic Forum and the Boston Consulting Group the leading companies are turning environmental sustainable strategies into a source of competitive advantage (Economist, 2011). These companies benefit from reducing costs, motivated employees and from forging relationships. Environmental performance encourages companies to seek innovative ways to enhance their competitive power. Environmental sustainability is considered to be a potential tool for creating reputational advantage that leads to enhanced marketing and financial performance (Miles & Covin, 2000).

1 Methodology

For a growing number of companies it pays to be more ecological while it might enhance their competitiveness. The commitment to integrate sustainability issues is growing worldwide. Sustainable image is an intangible asset that might create higher value for all stakeholders groups and promotes both honesty and transparency (Choi & Ng, 2011). Such business policy encourages a trust among employees, investors, the company and the community.

The purpose of this paper is to analyze environmental performance of the winning companies in the Czech and Slovak Republic. According the Czech platform *Byznys pro společnost* (Business for society), the leader in environmental responsibility for the year 2013 is the company Vodafone Czech Republic, a.s. In the Slovak Republic the top green company for the year 2013 is IKEA. The ranking was made by Nadácia Pontis (Pontis Foundation). In order to analyze the differences in environmental responsibility, a study of their CSR reports has been carried out. The problem is that the sustainability reports of the companies do not measure all sustainability indicators and their absolute values differs (Krajnc & Glavic, 2005). For a comparison of environmental responsibility there were selected most important elements of environmental responsibility.

The methodology comprises three steps that provide necessary information. First step is to analyze the criteria for the evaluation of *Byznys pro společnost* and Nadácia Pontis in order to compare their methodology. The second step is to collect publicly available information from sources as company web sites, responsibility reports and press releases. The scope of the data analysis is the companies' activities, operations and services that impact on the environment. Finally, an analysis of the main differences was employed to obtain results.

2 Results and Discussion

To maximize the stakeholders wealth is an inherent part of the stakeholder theory. Growing consumers concerns for environmental quality have forced companies to become aware of the problematic relationship between modern business models and the physical environment. This situation has encouraged companies to integrate environmental awareness into their business or corporate strategy. Environmental performance is a

significant component of a company’s reputation (Miles & Covin, 2000). The studies suggest that the highly environmentally reputed companies tend to search for eco-innovation in order to create competitive advantage or enhance overall business performance. There are some companies with strong cultures that encourage being committed to respond to the dynamic environment, to satisfy customers’ needs, and to offer good customer services (Tsai et al., 2011). The best environmental performers are even more attractive for investors since their environmental management reduces risks of social injury or environmental damage (Miles & Covin, 2000).

The best green companies seek opportunities to shape the business environment in which they operate (Economist, 2011). They often face difficult conditions especially on emerging markets ranging from insufficient infrastructure to unreliable supply chain. The greenery offers an opportunity to create a lucrative business strategy that addresses the need to make growth more sustainable.

2.1 Environmental reporting and its evaluation

The trend towards environmental reporting has grown rapidly. But reports vary widely in content and comprehensiveness. (Ey&GreenBiz Group, 2013). As consumers demand for more responsible behavior and for higher environmental quality, some companies developed their own environmental codes or began to monitor and report their sustainability impacts. In addition, there is a growing number of global ranking for the best green companies or green brands. These top lists represent greenest companies according to the various factors ranging from reducing energy to sustainable sourcing. Generally, such ranking schemes might build a considerable reputation for responsible companies and increase company-perceived value.

Promotion and enhancement of sustainability is not very successful when applied by traditional instruments such as rules and norms. For this reason, there have been developed many voluntary initiatives by various international organizations. One of the world’s largest platforms for advancing sustainability is UN Global Compact (UN, 2014-2016) that has set 10 principles in promoting sustainability of the economic activity. These principles relate to human rights, labor, environment, and anti-corruption as a guideline for implementing responsibility and sustainability in business. Principles related to the environment are presented in Table 1.

Tab. 1 The UN GC principles related to environment

Nr.	
Principle 7	Business should support a precautionary approach to environmental challenges
Principle 8	Undertake initiatives to promote greater environmental responsibility; and
Principle 9	Encourage the development and diffusion of environmentally friendly technologies.

Source: UN Global Compact: The Ten Principles. Retrieved “April 2014” from <http://www.unglobalcompact.org/abouttheGc/TheTenprinciples/index.html>

UN Global Compact is widely recognized and might contribute to changes in the business perception of sustainability. Many companies have already incorporated the 10 GC principles into their sustainability strategies. According to The Global Corporate Sustainability Report nearly 8.000 companies from 40 countries have participated in the UN Global Compact (UN, 2013). This implies that sustainability is considered to be more important for further survival and companies are taking it more seriously.

In comparison, in the Czech Republic and Slovakia, there are no widespread public concerns about environmentally friendly behavior of companies (Škorvagová & Zorkóciová, 2009). Environmental issues might become more important for consumers in this region if they would gain appropriate promotion. The possibility is to build better reputation for leaders in environmental sustainability. Such opportunities offer lists of green companies or awards for greenery. Byznys pro společnost has established the prize for environmental leaders supported by Tetra Pak Czech Republic. In Slovakia is the evaluation process conducted by Nadacia Pontis, companies are awarded by Via Bona prize. The competitions assess the environmental performance of companies in the region. In the Czech Republic companies could register their overall environmental strategic approach or the project that leads to climate change mitigation, improvements in the quality of physical environment or eco-innovative product development. The main goal of Slovak competition is to award an extraordinary project or an activity that helps to protect the environment. In both cases, the basic principle is to enhance and maintain high standards of environmentally friendly behavior. The Czech prize is more complex and companies could register for the evaluation process more than once, if they have improved their project/strategy or have designed an innovation. In Slovakia it is not allowed to apply for the competition, if company won over the past two years. This condition is limiting while it does not support innovativeness of the evaluated projects. But the evaluation criteria are quite complementary and both prizes award according the similar rules covering wide range of factors. To compare with the UNGC Principles, these prizes are more specific and focused on one particular environmental issue. The UNGC Principles set more strategic approach toward implementing sustainability into business operations. Nevertheless, the prizes as Via Bona or Tetrapak are necessary in enhancing sustainable behavior and in changing consumers' perception. Furthermore, similar rankings might promote responsible strategies of companies which might lead to reducing costs and enhancing their competitive advantage by exploiting better environmental performance. The winning companies in the 2013 were Vodafone Czech Republic in the Czech Republic and IKEA in Slovakia. The next section provides an overview of their overall sustainable strategy.

2.2 Environmental responsibility of Slovak and Czech award-winning green companies

Each industry has to deal with specific issues regarding sustainability (Runhaar & Lafferty, 2009). Companies from distinct industries have to focus on different aspects of environmental sustainability. Similarly, the sustainability strategies of Vodafone and IKEA need to address different environmental issues. Vodafone is a British multinational telecommunications company headquartered in London. IKEA is a Swedish company registered in the Netherlands and it is the world's largest furniture retailer.

Environmental sustainability in telecommunications – the case of Vodafone

Environmental sustainability in telecommunications needs to respond to similar environmental issues that are relevant to all industries. In addition, there are some sector specifics regarding this industry (Runhaar & Lafferty, 2009). One of the critical issues linked with telecommunications is to tackle conflict minerals. Conflict mineral is term for the minerals which come from mines that finance armed groups in conflict regions. Telecommunications are one of the several industries using metals from these minerals. Conflict minerals have raised discussion about their usage and about the necessity to regulate this type of sourcing. Aside from issues of sustainable sourcing, telecommunications have direct effects on energy consumption, usage of damaging materials, electronic waste due to short product lifecycles or increase in travel (industry facilitates B2B and e-commerce). In its sustainability report, Vodafone claims that company "...helps customers reduce their energy needs, cut carbon emissions and enhance productivity" (Vodafone Group, 2012-2013). Its sustainability strategy addresses all critical environmental issues regarding telecommunications. Vodafone's approach toward sustainability offers some positive initiatives that add value to its products. As an example, its machine-to-machine services that connect a wide range of devices to the network offers significant potential to organizations and individuals, enabling them to live, work and operate more sustainable. This technology is in line with the projections from The Global e-Sustainability Initiative's Smart Report. This report expects that while the ICT industry's footprint will rise to 1.27 GtCO₂e by 2020, its solutions have the potential to deliver carbon reductions of seven times more amount (the Global eSustainability Initiative 2008). In general, Vodafone's main focus is to reduce its impacts on environment across all markets in order to support sustainable development. In the Czech Republic Vodafone won the prize for its Eco Rating scheme which is a rating of ethical and environmental performance of any mobile phone sold by the company. It calculates the phone's impact on environment such as how much water is used in manufacturing or carbon emissions and also ethical factors affecting assemble of phones. Ratings are higher for mobiles that contain less hazardous materials, are easy to recycle, and have a long battery life (Vodafone's Eco Rating).

Environmental sustainability in furniture – the case of IKEA

Furniture industry is currently undergoing many changes as the furniture markets has opened up more and are growing fast. This industry uses a wide variety of materials in production including wood, cotton, plastic, metal, or silver. The major products and exports of the furniture industry are of wood (World Furniture Industry, furnituremanufactures.net). The main goal in achieving higher ecological responsibility related to furniture industry is to reduce the product environmental impact during its life cycle, composed of raw materials, production, distribution, use and final disposal (Lopes & Azevedo, 2013). The most significant sustainable commitments to environment should target at responsible sourcing, exploiting the potential of renewable energy, and at development new, more sustainable products and services. IKEA is known to be one of the global leaders in pursuing a responsible strategy (Morsing & Roepstorff, 2014). Since 2000 when it launched a formal code of conduct for suppliers, IWAY, the company has been improving environmental and social impacts of its operations. This implies that IKEA's focus was primarily a matter of supply chain issues. However, the resources are increasingly scarce (we have already lost half of the world's forest; SDC, 2009). IKEA has

realized that to address the environmental issues might be a great opportunity for its future growth. IKEA has prepared the new strategy necessary for transforming its business in order to be able to fulfill customer need, address the higher price of raw materials and energy, and while reducing emissions and maintaining low-prices (IKEA Group Sustainable Strategy for 2020). IKEA has identified three change drivers. The one most linked to the environment is striving for resource and energy independence, which helps the company to secure long-term access to sustainable raw materials, promoting recycling, and produce more renewable energy throughout its value chain. Actual results in energy saving are impressive. IKEA owns as many renewable energy resources as some energy companies (Kelly & Detwiller, 2014). IKEA sustainable strategy for 2020 is ambitious, with a numerous sustainability-related goals, but the latest results in pursuing this strategy are very promising. IKEA won the Via Bona prize for its inspiring solution – the change of traditional wooden pallet to paper pallets. These are lower, lighter and more flexible in size. According the Life Cycle Assessment study of IKEA, usage of paper pallets reduces the footprint of transporting product by 75,000 tons of CO₂ per year (IKEA Group, 2012). In Slovakia emission savings are about 15%.

According to this short description of environmental sustainable strategies of winning companies, the conclusion is that it is impossible to encompass all environmental factors influencing ecological performance without further research. There are significant differences in their environmental behavior in terms of the scope and main goal defined in the environmental dimension of their sustainable strategy. The reason is that the companies operate in different industries, therefore the main challenges they need to face are different. However, both companies demonstrate strong commitment to environmental sustainability and both have adopted an innovative approach in their sustainable solutions.

Conclusion

Environmental sustainability is of a growing importance. The implementation of environmental initiatives has been proven as a crucial for future survival of business. The presented cases of global environmental responsible front-runners confirm that we can no longer continue in old way of business and we need to adopt new, more sustainable approach to meet 21st century demands. A sustainable world provides an opportunity to achieve a long-term prosperity for businesses while improving the quality of life and protecting the environment. As a number of environmental issues have proliferated, a new attention to environmental sustainability has been brought.

The case studies presented in this article offer only a brief example of responsible behavior in terms of environmental sustainability. Both won prizes for the leadership in greenery which implies their strong ecological commitment. The higher level of their environmental behavior can be explained by their great business vision that incorporates values of sustainability. In Czech and Slovak conditions consumers perceive the value in terms of price. In this region there is a lack of environmental awareness and consumers do not regard sustainable development as the key to a prosperous society. The similar “green” prizes might be the way to increase environmental concerns in region and might led to higher quality of life since environmental degradation and resource depletion affect human health and well-being.

This study evaluates environmental sustainability in two winning-awarded companies. However, since the method is based on past research and knowledge development,

implementation of the findings has been beyond the scope of this study. Further research should be conducted to provide a detailed analysis of the differences in environmental behavior of selected companies in order to evaluate their real ecological commitment.

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The Importance of Interest Self-Government in Tourism

Viola Šuterová¹

Abstract

This article focuses on the importance and functions of interest self-government in tourism. It also includes an analysis of the operation of selected NGOs that are active in tourism or their activities are involved in tourism development. The author suggests the quantification of direct and indirect benefits of these organizations. Particular attention is paid to the contribution of volunteering. The aim of this paper is to identify the effects of interest self-government in tourism from the perspective of inclusive growth and support of economic, social and territorial cohesion, in line with the Europe 2020 Strategy.

Key words

tourism, interest self-government, non-profit non-government organizations, voluntary activity, economic, social and territorial cohesion.

JEL Classification: E2, J2, L3

Introduction

One of the parts of public administration is also interest self-government. It covers various organizations emerging on the principle of association of citizens, various organizational forms, and in broader sense, even non-profit organizations, such as NGOs, as for example foundations, or civic associations. Activities of such organizations are traditionally associated mainly with the sphere of charity and humanity. Consequently is highlighted the social and ethical aspect. The aim of this paper is to identify the effects of interest self-government, to highlight its economic benefits and suggest the possibility of measuring these benefits. Finally we want to point out the possibility of self-interest in the process of dynamization trade.

1 Methodology

While processing this paper, there have been used mainly the following methods: analysis and synthesis (analysis of secondary data from registers of non-profit organizations of the Ministry of Interior, the annual reports of non-profit NGOs), research of professional activities of students in study program Management in Tourism at the Faculty of Commerce in Bratislava, and observation.

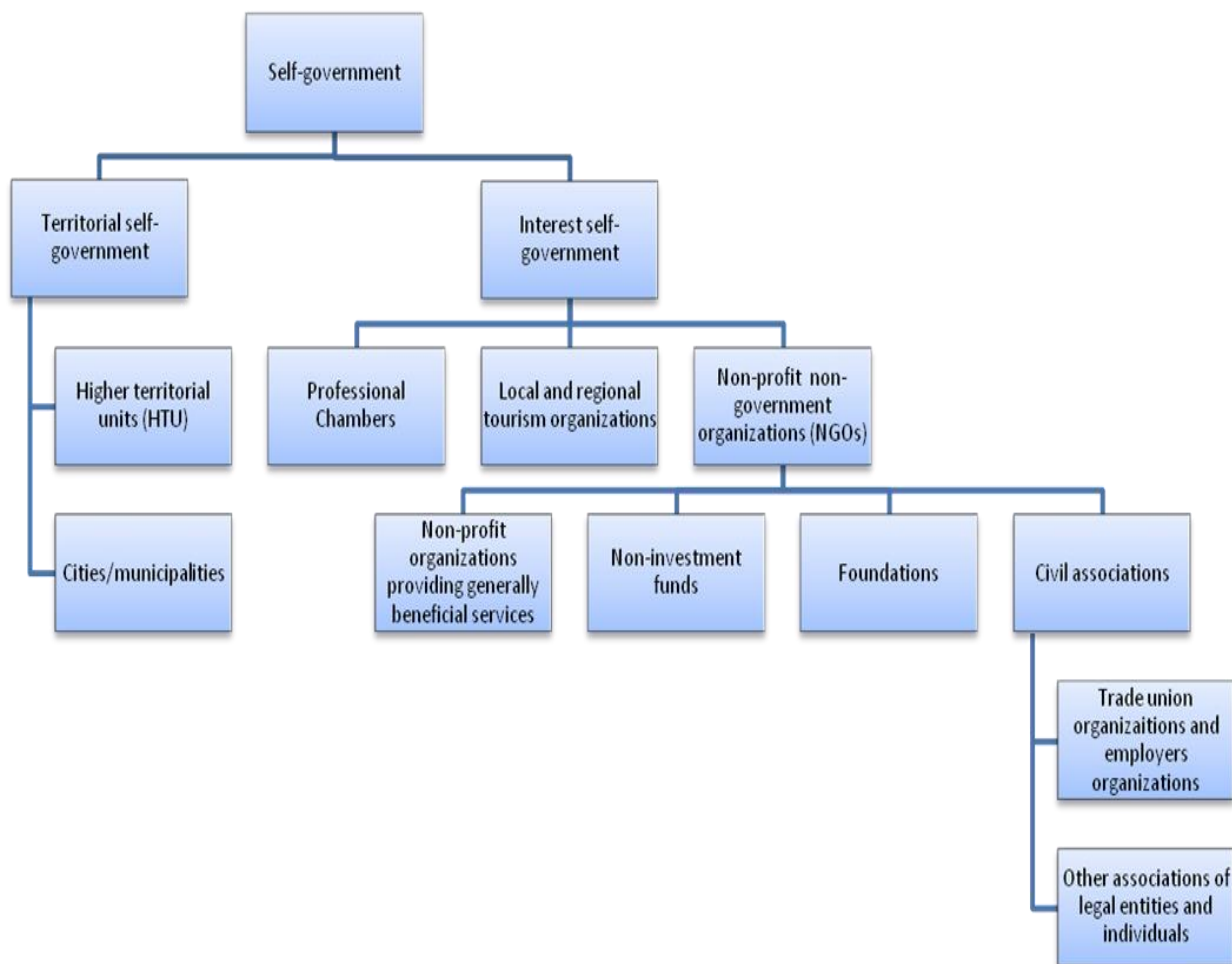
2 Results and Discussion

The right of self-determination of their own affairs may be entrusted to entities that are connected by a common interest. In this case, it's about a hobby or professional self-government. Interest self-governing associations are formed under the right of

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association. This may happen in a form of forced association (chamber membership is a prerequisite to perform the practice) or voluntary participation. In a broader sense to interest self-government belong all organizations that have a common interest. In the following scheme we present the self-government institutions in tourism.

Scheme 1 Self-government organizations in tourism



Source: Own research

2.1 Characteristics and structure of basic self-government organizations in tourism self-government institutions in tourism

Slovak Chamber of Commerce (next only "Chamber") is a public institution operating in the Slovak Republic, which acts to promote and protect the business of its members at home and abroad. The Chamber is a legal entity established by Act of the Slovak National Council. 9/1992 Coll., of commercial and industrial chambers, as later amended. The seat of the Chamber is in Bratislava. Chamber establishes regional chambers in a territory of higher territorial units of the Slovak Republic, if requested by at least two-thirds of the members of the chamber from the respective higher territorial unit. Within Chamber operates the Tourism Section.

The Chamber represents and coordinates the common interests of its members in matters of business activities at home and abroad, provides services and performs other

duties under the Act (Slovenská obchodná a priemyselná komora, 2014). The chamber in the frame of its competences participates on preparation of generally binding legal regulations and arrangements in the field of business. From the activities of the chamber we present following:

The Chamber:

- participates in the coordination and implementation of economic relations of the Slovak Republic with foreign countries,
- gathers and disseminates knowledge and information of commercial policy, legal, duty, environmental and economic conditions in foreign countries and to this purpose publishes professional publications,
- ensures the promotion of its members at home and abroad, including participation in exhibitions and fairs,
- issues for its members certificates of facts relevant in the legal relationships that arise in international trade,
- organizes conciliation in economic disputes among its members, acts as the referral center for finding business partners at home and abroad,
- provides member advisory consulting services in all matters related to business in the economic sphere,
- organizes training activities, establishes and manages facilities and institutions to promote business development and education in this area,
- performs its own economic activity to support the proper performance of its duties and in accordance with its mission,
- promotes environmentally friendly forms of production, products and business,
- cooperates with the Ministry of Education of the Slovak Republic in improving training and vocational education in secondary vocational schools. It is involved in adjustments to curricula and programs of individual study and vocational branches. It participates in the frame of state control over practical education in the control of conditions and the level of practical teaching. Chamber co-works in accordance with the law and these statutes with civic associations and business associations.

Among the priorities of Chamber now belong ethics in business and increasing the competitiveness of its members.

Between employers' organizations we may include Slovak Tourism Association. Representatives of the seven most important nationwide tourism associations founded on January 17, 2011 the Slovak Tourism Association, which is a voluntary, apolitical and professionally focused organization of employers in tourism.

Association will continue to expand to affiliate other unions and associations of tourism at national and regional level, and is also open to other business entities. Among the priorities of Slovak Tourism Association are the unification of the tourism industry, a proactive approach to legislative changes in the field of tourism, increased cooperation with the Slovak Tourism Board in promotion of Slovakia and support of domestic tourism.

Regional Tourism Organization (RTO) and Local Tourism Organization (LTO) in Slovakia are legal entities established under law no. 91/2010 Coll (Zákon č. 91/2010 Z. z).

RTO creates conditions for development of tourism in its region and protects the interests of its members. Members of the regional organization are higher territorial unit and at least one regional organization acting on its territory, established under this Act. RTO operates under a statute in accordance with the strategic documents of higher territorial units. From all activities we would like to mention some of them.

RTO:

- supports activities of its members in developing and implementing the concept of tourism development in the territory of a higher territorial unit,
- develops and implements the marketing and promotion of tourism for its members at home and abroad,
- promotes cultural, social and sporting life and the preservation of natural and cultural heritage,
- organizes events for residents and visitors,
- promotes sustainable tourism development in order to protect and preserve environment and respect the way of life of the local population and property rights,
- prepares and implements the concept of tourism development of higher territorial unit,
- initiates or provides the creation, management and presentation of tourism products, including those of the Tourist Information Center,
- draws up an activity report, which is published on its website, and annual accounts to be imposed on a public part of register of accounts,
- may establish or establishes a Tourist Information Center, keeps records of tourist information centers in its territory,
- cooperates with central government authorities involved in the tasks of tourism, with the bodies of higher territorial unit and the organizations operating within the region on issues of tourism development.
- At present there are four RTOs in Slovakia.
- Local Tourism Organization² (LTO) particularly:
 - supports the activities of its members in developing and implementing the concept of tourism development in their area of competence,
 - creates and implements marketing and promotion of tourism for its members and the community at home and abroad,

² Local tourism organization can be established by Memorandum of Association with business entities and at least five municipalities or districts in the capital of the Slovak Republic in Bratislava and Košice, while the sum of the number of overnight stays by visitors in accommodation establishments in the territory of the founding municipalities in the preceding calendar year must achieve at least 50 thousand nights. Local tourist organization may be established also by less than five villages, where the total number of nights spent in accommodation establishments in the territory of the founding municipalities in the preceding calendar year was at least 150 thousand. Any entity operating in the municipality is entitled to be a member of the regional organization.

- promotes the common interests of its members,
- cooperates with the authorities of municipalities in the development of the territory within its competence, including the processing and implementation of programs of support and development,
- promotes cultural, social and sporting life and the preservation of natural and cultural heritage,
- organizes events for residents and visitors,
- provides its members with advisory and consulting services,
- prepares and submits tourism development projects and ensures their implementation,
- promotes sustainable tourism development in order to protect and preserve the environment from all the sites and respect the way of life of the local population, and to respect the property rights,
- prepares and implements the concept of tourism development based on own analysis, on regional concept of tourism development and national concept of tourism development,
- prepares a budget that is approved by the highest authority of the regional organization,
- updates the integrated information system in its operations, including those in the Tourist Information Center,
- prepares maps, products, activities and rises the value of the destination in its territory in cooperation with municipalities, regional organization members and representatives of the professional community, including via the Tourist Information Center,
- compiles a report on the work they publish on its website and annual accounts, to be imposed on a public part of register of accounts,
- may establish or establishes a tourist information center.

At present there are 32 LTOs in Slovakia.

2.2 Characteristics and structure of non-profit and non-government organizations (NGOs) in tourism and their functions

To interest self-government we may include also the following legal forms of NGOs: civic associations (associations of citizens, trade unions and employee organizations, etc.), non-investment funds, foundations and non-profit organizations providing generally beneficial services. They tend to be referred as the so-called organizations of the third sector, operating in the space between state and market, thus, solving problems, which are not sought to address under-business sector and the state can not solve. Really in modern economies they are partners of both, the public and private sector, and they may support the development of those sectors (Beličková, K., & Bukovová, S., 2007, Bútorá et al, 2011).

By decision of the European Parliament and of the Council No. 1904/2006 for the period 2007-2013 the program Europe for Citizens to promote active European citizenship

was created. According to data in the report "Measuring Civil Society and Volunteering", (2007) means the economic contribution of NPIs is on average 5% of GDP (*Správa o prínose dobrovoľníckej práce pre hospodársku a sociálnu súdržnosť* (2007/2149(INI)), 2007, p. 4). A high volume of value added was shown up there: for every one euro organizations spent on supporting volunteers, they returned an average of 3-8 euro. Volunteer work carries out more than 100 million EU citizens. Based on the foregoing, it is about the creation of social capital and the benefits of voluntary work to economic and social cohesion.

From the data observed in the registers of non-profit organizations, managed by the Ministry of Interior, is not always clear, whether their core activities are in tourism, respectively, whether their activities are promoting tourism. If in the title of the organization is not given tourism or activities associated with it clearly, it makes it difficult to elaborate the analysis.

Activities of civil associations in the tourism industry are very diverse. It can be a organization that builds routes, deals with the protection of cultural monuments, or it is a professional association (Hotels and Restaurants Union, Association of Information Centers of Slovakia, etc.), which can affect the quality of tourism services.

Non-investment funds may significantly affect the funding of restoration of cultural monuments (e. g. Fund for the reconstruction of the castle Krásna Hôrka).

The activities of foundations are very generous. Practically all community foundations create the conditions for tourism development of environment and other activities in the region (e. g. Small Carpathian Community Foundation REVIA). Community foundations are locally or regionally active non-profit NGOs. They function as an intermediary financial support from individuals, enterprises and governments to voluntary civic initiatives and non-profit organizations, for effective use of obtained funding for a diverse range of public beneficial activities. Community foundations are not narrowly focused on a particular segment of the population, but they help to improve the quality of life in various areas, such as children and youth, social issues, improving the environment, culture and education, and the like. They work with people who like to help others and voluntarily contribute their work to the development of individual regions. Community foundations promote positive changes in the community by private funds, donations from individuals and legal entities. Community foundations offer donors many ways how they can donate, while completing their own ideas, about which are the most pressing needs of the community, and about how the donation will be used.³

Highly we can evaluate the support of educational activities that promote knowledge about the region, pride, patriotism and contribute to the education of the population to tourism.

³ The first community foundation was founded in the U.S. in 1914. Today, community foundations belong to the most dynamic forms of strategic gifting to the world. In Slovakia, this type of organization was settled in 1994. Currently are working 12 community foundations, 10 of which are members of the Association of Slovak Community Foundations.

Some tourist-information centers operate as non-profit organizations providing generally beneficial services. In the following table is introduced an overview of basic legal forms of non-profit NGOs.

Tab 1 Overview of non-profit organizations in Slovakia in 2014

Legal form	Number		Active in tourism*	
	Absolutely	Share (%)	Absolutely	Share % of legal form
Civic associations	38 020	90,9	497	1,3
Foundations	645	1,5	45	7
Non-investment funds	584	1,4	25	4,3
Non-profit organizations providing generally beneficial services	2 580	6,2	99	3,83
Total:	41 829	100	666	x

*qualified estimate

Source: Processed by author on the base of datas in Ministry of Interior of the Slovak republic 's registers of non-profit organizations (Ministerstvo vnútra SR, 2014).

2.3 Contribution of non-profit and non-government organizations

The aim of this part of paper is:

- to identify the contribution of voluntary work and of non-government NGOs in tourism,
- the setting of indicators,
- to indicate the possibility of measuring the effects of the activities NGOs.

Performance of non-profit organizations essentially is not exactly "measurable", since it is somewhat untouchable (providing advice, consultation, partnership building), and also because it is related to non-market services.

From a methodological point of view, it is important to note that although the activity of NGOs is closely linked, contributions not only lie in volunteering, thus we separate them. In addition, part of the contributions is recorded and part of the contributions is statistically incorporated into GDP (reporting the activities of these organizations, however, contains mostly just of labor costs). There are organizations that do not have these costs.

Organizations that are specifically set up for operation in tourism, have employees and they may report direct benefits that can be quantified and statistically processed. Since they are non-market services, from a theoretical point of view, their value added is

characterized in that it comprises mainly labor costs and depreciation of capital assets. As organizations are staffed by volunteers, this activity is not recorded statistically. In effort to present contributions of so-called 3rd sector, inter alia in relation with raising the profile of activities and organizations' efforts to find sponsors, two percent tax etc., some organizations monitor the performance of volunteers and quantify the value created in such a way that the number of hours worked multiplied by the average wage in the national economy.

Specific contribution is the effect of many organizations in the field of non-formal education of the population to tourism.

Specific values are created through the use of two percent of the taxes that organizations receive, and must use in accordance with the objectives of the organizations. The amount obtained in this way is recorded in r. 2012, non-profit organizations received a total of 44 695 969.19 €, but we cannot identify precisely the amount, that was used for the development of tourism (cultural heritage preservation, education and other activities). An example is the association Cyklokoalícia, that invests gained contributions into cycle routes.

Indirect benefits arise, for example, as a result of actions by professional associations which work towards improving the quality of tourism services (consulting, competitions and other activities). Ultimately it is about the economic benefits, that are hardly to be quantified.

Significant contribution of volunteering to economic cohesion are considered the support of employability, and promotion of social inclusion. Promoting employability means that volunteers receive a wide range of skills. Voluntary work is a source of informal learning experience and facilitate young people on completion of their education transition into employment. Promoting social inclusion means, that volunteering as an informal and non-formal learning experience, offers options to people excluded from formal education or unemployed persons. For non-direct benefits, can therefore be regarded the "practice" of students - volunteers in organizations, that operate in tourism. They gain skills and abilities, which increase their performance in their jobs after recruitment. When they are employed in other sectors, these abilities may be considered as socially induced effects.

Regular monitoring of students engagement in volunteer activities proves, that in the years 2007 – 2012, 3-4% of university students (study program Management in Tourism, Faculty of Commerce, University of Economics in Bratislava) were participating in such activities. Prevailed youth work within, as well as in activities related to tourism - summer camps, restoration of cultural monuments. According to the survey results in 2014, 6 (6.45%) students work, 3 of them were working in organizations, whose activities are related to tourism - coffee, sports clubs. As the benefits of the activities of these organizations respondents reported for example the active spending of their leisure time, new experiences, good relations and communication, teamwork, creative work, and the opportunity to help others.

Example of positive effects of non-profit organizations is the multiplier effect of construction cycle routes. Currently, the area of cycling is an area, where the accelerators of development have been and are civic initiatives. Effects are mainly:

- promotion of domestic tourism - increased interest and availability,
- development of tourism in rural areas,

- employment growth - building food stalls, bike rentals,
- environmental protection.

Thus, a significant share in the development of cycling is linked to tourism and sustainable tourism as well as the development of rural tourism (with the associated development of the regions. It might be concluded, that it is the third sector – NGOs, that have contributed significantly to the development and building of cycling routes and promoted the interest of the local authorities and the state on their development. Still today they form a large group, which prepares projects, but cooperation is now more coordinated with state and local governments.

In terms of legal status in the development of cycle routes and cycle tourism, mainly civic associations are involved, however, there are the foundations that contribute to the development - often just to these civic associations. In quantifying the value, it is difficult to find all organizations that contribute in this way, if the object of their activity is not involved in their title, and also it is not always just tourism, that is their core activity, and despite this, they contribute a considerable value to the development of tourism (for example Foundation EKOPOLIS, but this is commonly known). When assessing the current state funding cycling infrastructure in Slovakia sources of funding for cycling infrastructure can be divided as follows (Národná stratégia ..., 2013):

- State budget,
- The budgets of self-governing regions and municipalities,
- European sources - European investment and structural funds ("EISF"),
- Domestic endowment resources,
- Foreign endowment funds excluding EU funds,
- Private sources (sponsorship),
- Own resources of civic associations,
- Non-financial resources of civic associations - especially volunteering.

Quantification of created values can be divided into:

- Number of hours worked by volunteers
- The funds raised through collections, membership fees, 2% tax
- Number of projects, miles of trails at.

2.4 Sector of non-profit non-government organization and business

In the context of theme of the conference, it is appropriate to ask, what is the relationship of business and NGO sector. From the previous text it is obvious, that some third sector organizations are created as a result of initiatives of individual entrepreneurs and employers. NGO sector organizations to create the conditions for business and for business in tourism. Business sector entities are sponsors and donors, for nonprofit non-governmental organizations.

Many of the procedures and methods of their own businesses are also applicable to non-profit organizations and vice versa (Gušťafík, P., 2014). Flexibility and increased innovation held by community foundations, as well as other NGOs, could bring benefit to many companies, that due to excessive bureaucracy lose creativity, in turn, appropriately

and sensitively used business processes would certainly facilitate the development of foundation activities.

In society is starting to succeed the new trend, so-called „**social entrepreneurship**“ which is based on the use of innovative business practices in the nonprofit context, and is intended to bring benefits to the particular group, the local community and society at large. The basis of the planning process in social entrepreneurship has become a concept of missionary - business mix, which in practice means that when considering certain activities, it always take into account the needs of the community, i. e. whether those needs are necessary and what the consequences would bring their dissatisfaction, but also takes into account the probability of making a profit and potential risks (Gušťačík, P., 2014).

In the context of corporate social responsibility, the attention is turning to the relationship of business to the community, to the environment, the voluntary work is pursued. But in real, management and staff are parts of a particular community, involved in its activities, trying to solve problems in their own interest, in the interest of their families and children. They can by themselves create conditions for healthy physical and mental way of doing it life, and affect their quality of life. Third sector activities, or interest self-government strengthen the creation of social capital.

For the region is crucial, that organizations benefiting from the power of social capital for their development - companies, take their share of social responsibility. They provide the employment and the economic stability also thanks to what their close surrounding provides (good location, capable staff, the purchasing power of the local population etc.). Socially responsible behavior strengthens the company's position with customers. But sponsorship sometimes engenderings people a sense that "it is only a development of brand, advertising, marketing, and public relations".

Conclusion

The operation of interest self-government in tourism is very diverse. Chambers, employers' organizations, particularly local and regional tourism organizations create an environment for business and cooperation in tourism, increase the competitiveness of individual operators and destinations. NGOs fulfill a social and economic function. They may be part local and regional tourism organizations. They are active and creative in the development of offer in tourism, they raise funds and provide value through volunteering.

In conclusion it may be stated, that through the education, initiative and creativity, these organizations contribute to the dynamism of the tourism industry and to the sustainability of its development.

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Occurrence of Central European High-Growth Enterprises in Tertiary Sector¹

Katarína Valenteová²

Abstract

At the times of pooling efforts to restore growth and overcome the impact of global financial and economic crisis, attention goes to those companies, whose exceptional high growth makes a significant contribution to job creation. High-growth companies, also those young called gazelles, are increasingly recognised by policy makers as drivers of economic and regional development, despite typically representing a very small proportion of business entities. The purpose of this paper is to provide a delimitation of high-growth enterprises following the internationally accepted OECD definitions and examine the occurrence of high-growth enterprises in the Central European region, as well as their distribution at the country level focusing on tertiary sector.

Key words

high-growth enterprises, gazelles, CEE, tertiary sector

JEL Classification: L11, L80

Introduction

Analyzed topic related to high-growth enterprises, their performance and positive impact on various economic indicators has attracted significant attention by governments and policy makers around the globe. This has its source in evidence of literature regarding fast growing small business economics and entrepreneurship. It is well known that a small proportion of high-growth enterprises play a crucial role in both period of recession as well as in period of economic boom (NESTA, 2011). High-growth enterprises are important potential drivers of job creation, innovation and creation of wealth (Acs et al., 2008). The term "gazelle" was first introduced by David Birch to denote the companies exhibiting high growth rates within a limited amount of time in the 1980s. Throughout the years no explicit definition was reached by researchers until the OECD defined high-growth enterprises in 2006.

The aim of this paper is to delimitate high-growth enterprises following the internationally accepted OECD definition and to investigate their prevalence and distribution at the country level in the Central European region focusing on tertiary sector.

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1 Methodology

A wide range of theories and empirical approaches exist which deal with company growth. The most typical topics are identification and analysis of company growth stages or detection of companies, sectors and industries affecting company growth. Related theories and approaches address the issue from different perspectives ranging from neoclassical theories of optimal size to evolutionary concepts aiming at considering the fitness of companies as a core of their success. This paper addresses some of these empirical approaches and base them on the appropriate theoretical background where necessary.

Internationally comparable data about high-growth companies are very fragmentary. Due to different definitions and methods of data collection, there are significant differences between the results of existing studies. For purposes of this paper the OECD definition of high-growth companies and the OECD-Eurostat Entrepreneurship Indicators Program as data collector is used.

Apart from OECD data, anonymised CIS data (Community Innovation Survey) are used as the final acquired information from an enterprise level survey conducted every 4 years by EU member states plus several other non-EU countries provided by Eurostat. CIS 4 data are the result of the fourth survey as the most recent CIS available for a large number of countries (Hölzl, Friesenbichler, 2004), covering analyzed activity over the period 2006-2009. Data are only available for a limited set of EU member states with a number of countries missing (France, Poland, Austria, Slovak Republic, etc.), therefore only some of the CEE countries are analyzed. As stressed by Jesilevska (2013), CIS is a sample survey and does not cover all enterprises and all sectors of the business economy.

Analysis is aiming at the distribution of high-growth enterprises and gazelles in the sector of services, statistically covering wholesale and retail trade, hotels and restaurants, transport, storage and communications, financial intermediation, real estate, renting and business activities. Paper also compares acquired data with the manufacturing sector (manufacturing, mining and quarrying, electricity, gas and water) and construction sector.

2 Results and Discussion

2.1 Defining high-growth enterprises

Investigating the growth of enterprises does not only assess their performance in the economy, but also the growth of the economy as a whole. Consequently, the growth of enterprises is being investigated both in order to evaluate enterprises as well as the aggregate economic growth (Czarnitzki, Delanote, 2012). One of the earliest contributions to the enterprise growth theories is the Gibrat's Law, which is relating the enterprise growth to its size. More precisely, the law is based on a presumption that the expected value of enterprise's growth rate is independent of its current size. However, this presumption was rejected by several empirical studies, which pointed out that the law does not hold for the smallest enterprises.

Another variable when trying to explain the growth of enterprises is the age. Several researches concluded that the enterprise's growth decreases with its age (if size is constant) or that age has a negative impact on company's growth.

Birch is generally considered to have provided a great contribution to the area of small business research on the sample of US firms generating new jobs in the 1980s (Landström, 2005). In his published work "Who creates jobs", Birch (1981) classified enterprises into three categories: i) elephants – orders that shed and/or relocate to low wage economies, ii) mice – small business staying small representing the majority of small enterprises, iii) gazelles – new fast growing dynamic companies.

A variety of approaches may be used for defining high-growth enterprises. Most usually indicators as the top Y % of enterprises are being used. David Birch's approach measures absolute and negative changes in growth as a method of overcoming the bias inherent in measuring company growth rate, as shown in (1) below (Petersen, Ahmad 2007):

$$Growth = (x_{t_2} - x_{t_1}) \quad (1)$$

, where x represents either number of employees, turnover or other indicator in year t.

For more than three decades researchers haven't reached an agreement on a standard definition of high-growth enterprises. Several of them seem to dominate the literature. Birch et al. (1995) required a positive turnover growth every year and a doubling of turnover in a five-year period. Enterprises to be called high-growth ones, or "gazelles", should had to reach a minimum initial turnover of \$100,000.

In his OECD study, Schreyer (2000) has proposed a combined measure of relative and absolute enterprise employment growth building upon Birch's work with an idea that a growth measure shall reflect effective management, innovation strategies etc. and shall not favour any enterprise size class. His "Schreyer indicator" shown in (2) below, gives rise to the smallest bias towards any size class:

$$S = (x_{t_2+s} - x_{t_1}) \quad (2)$$

, where x_{t_2+s} and x_{t_1} denote employment at the end and beginning of the referential period. Those enterprises reaching 10 % of the highest value of indicator will be chosen as high-growth companies.

Hoffman and Junge (2006) contribute to criteria for classifying a high-growth enterprise and require a two-year growth of at least 60 % with a minimum 20 % growth per year (initial employment of 15 employees).

In 2006, OECD introduces new indicator to classify enterprises as high-growth similar to that of Birch et al. (1995) and Hoffman and Junge (2006).

The definition of high-growth enterprises recommended by OECD in the "OECD-Eurostat Manual on Business Demography Statistics" is as follows: "All enterprises with average annualized growth greater than 20 % per annum, over a three year period should be considered as high-growth enterprises. Growth can be measured by the number of employees or by turnover" (Eurostat-OECD, 2007, p. 61).

Gazelles are defined with a more precise definition as follows: "All enterprises up to 5 years old with average annualized growth greater than 20 % per annum, over a three year period, should be considered as gazelles" (Eurostat-OECD, 2007, p. 63). The share of gazelles expresses a percentage of population of enterprises with ten or more employees.

Medium-growth enterprises as measured by employment, “are enterprises with average annualized growth in employees between 10 % and 20 % a year, over a three-year period, and with ten or more employees at the beginning of the observation period” (OECD, 2014, p. 72).

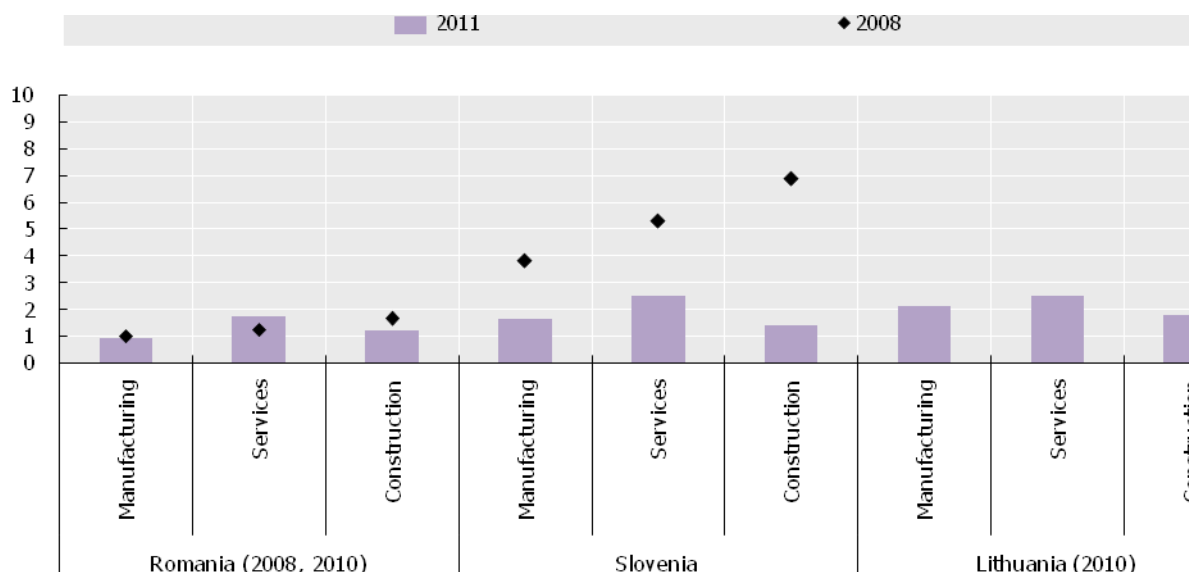
These definitions do not distinguish between growth rates of various industries.

The emergence of high-growth enterprises and their importance have led to public policy discussions on the contributions of small businesses as an engine of growth in the economies. Gazelles account for between 1 % to 10 % of small- and medium-sized enterprises, they contribute more than 40 % of all new jobs surviving companies (Henrekson, Johannson, 2008) and represent a significant impeller of regional restructuring and regional dynamism.

2.2 High-growth enterprises and gazelles distribution at the country level in CEE

Due to lack of complex data covering the statistics of high-growth enterprises and gazelles distribution at the country level in CEE, analysis focuses only on information for available countries. Following Graph 1 depicts the rate of high-growth enterprises as the percentage of the population of enterprises with ten or more employees in Romania, Slovenia and Lithuania in 2011 (or latest available year) in comparison with data available from 2008. In these countries, high-growth enterprises are mostly prevalent in the services sector, when measured by employment growth. Slovenia significantly reduced the number of high-growth enterprises between 2008 and 2011, Romania maintained a stable share of high-enterprises and in the case of Lithuania, only recent data (2010) were available.

Graph 1 High-growth enterprise rate (%) in Romania, Slovenia and Lithuania in 2008 and 2011 (or latest available year)

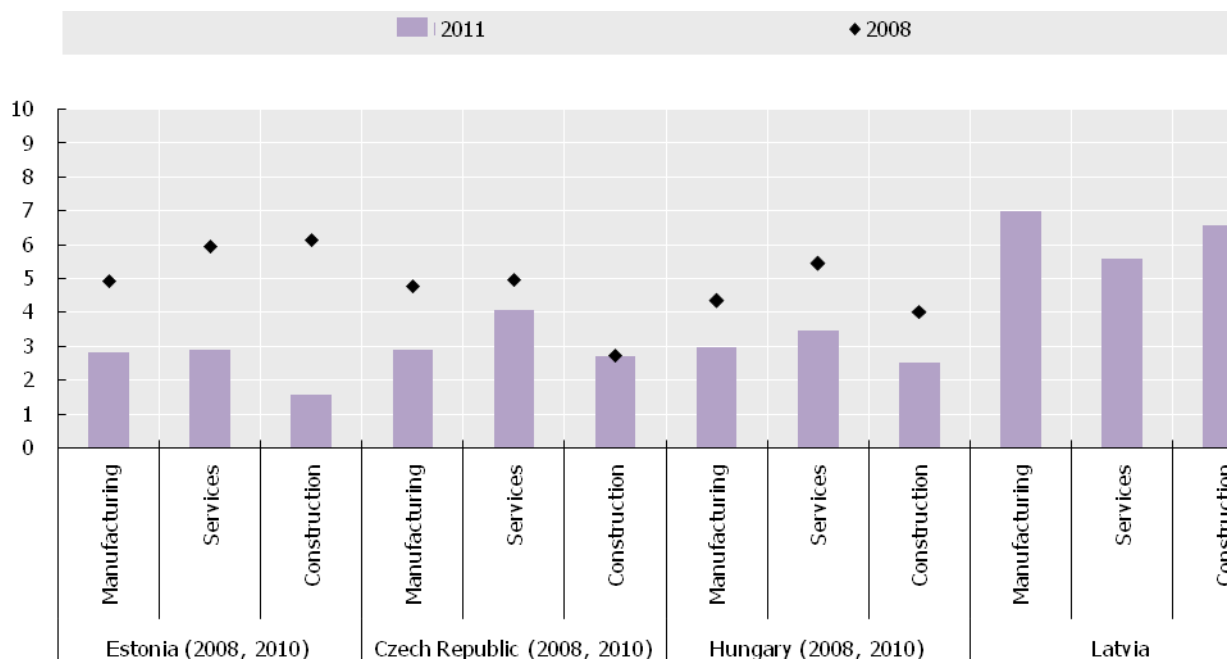


Source: OECD (2014)

Next Graph 2 shows the share of high-growth enterprises in Estonia, the Czech Republic, Hungary and Latvia in 2008 and 2011 (or the latest available year). Again, also in all analyzed countries, high-growth companies are more prevalent in the services sector than in the rest of the market economy, apart from Latvia where the highest percentage of high-growth enterprises is in the manufacturing and construction sector. Latvia also achieves among all analyzed CEE countries the highest proportion of high-growth enterprises out of the total population in all three sectors, when measured by employment growth method.

This might be the result of its economy development as in the position of a catching up country, it has the potential to grow at faster rate than economies close to technological frontier, because decreasing revenues are not as significant as in capital rich countries. Moreover, catching up countries are able to duplicate technologies and production methods used in the economies close to the technological frontier (Mitusch, Schimke, 2011).

Graph 2 High-growth enterprise rate (%) in Estonia, Czech Republic, Hungary and Latvia in 2008 and 2011 (or latest available year)



Source: OECD (2014)

Tab.1 is depicting the distribution of gazelles at the country level in 2010. Only whole countries are considered, not different sectors.

Tab.1 Gazelle distribution at the country level in CEE (2010)

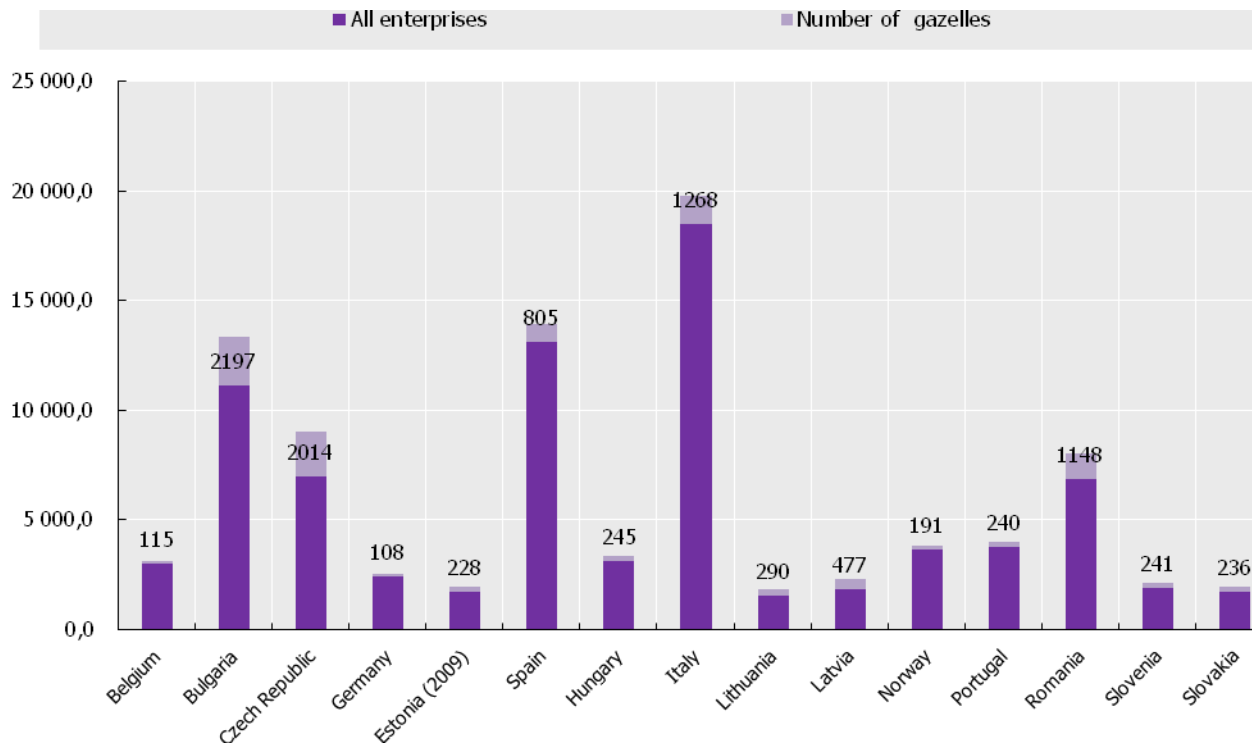
Country code	Country	Gazelles: 10 % of growing enterprises		Gazelles: 5 % of growing enterprises	
		Number of gazelles/frequency	Percentage	Number of gazelles/frequency	Percentage
BG	Bulgaria	2197	27,40	1206	30,08
CZ	Czech Republic	214	2,67	101	2,52
DE	Germany	108	1,35	49	1,22
EE	Estonia	228	2,84	113	2,82
HU	Hungary	245	3,06	113	2,82
LT	Lithuania	290	3,62	165	4,12
LV	Latvia	477	5,96	242	6,04
RO	Romania	1148	14,32	639	15,94
SI	Slovenia	241	3,01	104	2,59
SK	Slovakia	236	2,94	119	2,97

Source: K. Mitusch, A. Schimke, 2011, p. 20 (adjusted), CIS 4 data (2009)

Mitusch and Schimke (2011) in their analysis used small and medium sized enterprises at a base year of 2002 with a condition to be growing in a given referential period of time (2002 to 2004). Moreover, they followed a relative cut-off point of the top 10 percentile and top 5 percentile of growing enterprises (SMEs) to represent gazelles (two different definitions of gazelles depending on specific criteria).

Based on CIS IV data, Tab.1 shows the most available data (2010), where also other CEE countries are concerned. It can be concluded, that countries with the highest share of gazelles in CEE in 2010 were Bulgaria and Romania – approximately 41,72 % of all gazelles derived from these countries. It must be noticed, that these two countries were obliged to data acquisition, what led to exceedingly high numbers of gazelles within this analysis. Absolute numbers in Tab.1 must be therefore taken with a reserve. Graph 3 shows the number of gazelles in relation to the number of all enterprises at the country level in comparison with other EU countries.

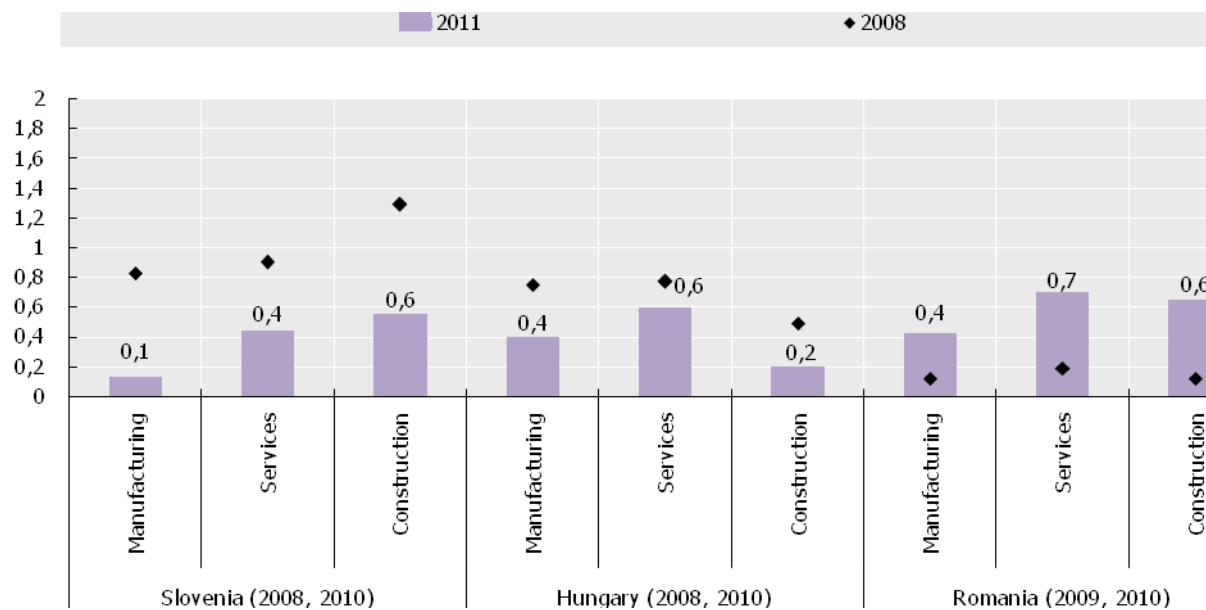
Graph 3 Number of gazelles in selected CEE countries related to all enterprises at the country level, comparison with other EU countries (2010)



Source: K. Mitusch, A. Schimke, 2011, p. 20 (adjusted), CIS 4 data (2009)

Gazelles form a subgroup of high-growth enterprises. Back to the available OECD data, which are in our opinion much more relevant than those obtained via Community Innovation Survey, gazelles corresponded to around 0,2 to 0,7 % of the total high-growth enterprises with less than five years in 2011 in Slovenia, Hungary and Romania (Graph 4). The number of gazelles reduced significantly between 2008 and 2011 (when data available) in Slovenia and slightly in Hungary, apart from Romania, which recorded increase of gazelles share in all three sectors. In Hungary and Romania, gazelles dominate rather the services sector and the highest percentage of gazelles in Slovenia is in the construction sector on the basis of employment growth.

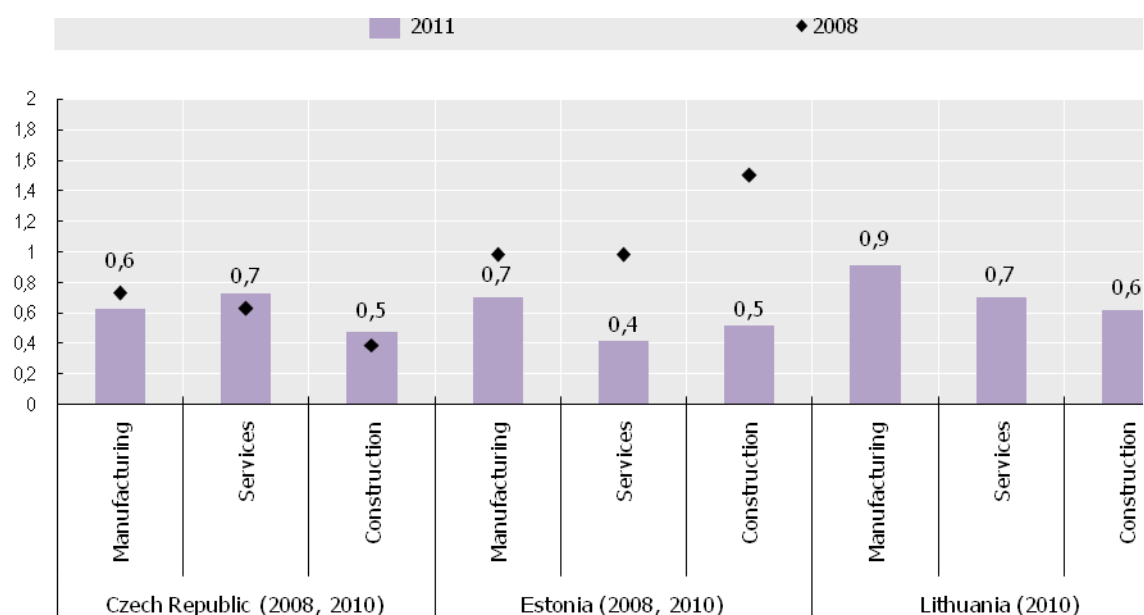
Graph 4 Gazelles share in Slovenia, Hungary and Romania (%) in 2008 and 2011 (or latest available year)



Source: OECD (2014)

The share of gazelles of the total enterprise population in the Czech Republic, Estonia and Lithuania is generally higher comparing previous three countries (Graph 5). The share ranges between 0,4 % to 0,9 % in 2010 (the latest available year). With the exception of the Czech Republic, where services sector only slightly dominates the manufacturing sector, gazelles dominate the manufacturing sector.

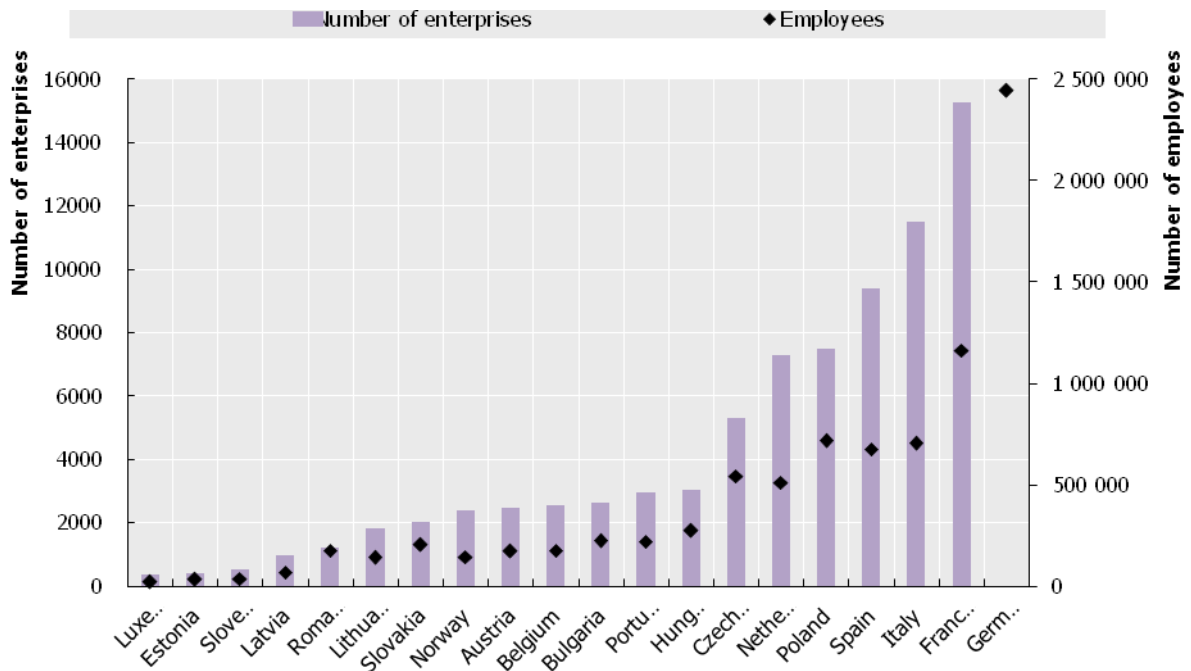
Graph 5 Gazelles share in Czech Republic, Estonia, Lithuania (%) in 2008 and 2011 (or latest available year)



Source: OECD (2014)

While high-growth enterprises represent on average a really small share of the total enterprise population generally, these entities employ a considerable number of persons.

Graph 6 The number of medium- and high-growth enterprises and employment in selected EU countries (2012)



Source: OECD (2014)

Graph 6 is depicting the number of medium- and high-growth enterprises and employment in 2012. For instance, more than 15,000 fast-growing French enterprises employ almost 1,2 million employees. As for CEE countries, the highest number of medium- and high-growth enterprises were in Poland – 7,500 firms employing 716,000 persons, in the Czech Republic – 5,306 enterprises employing 545,000 persons and in Hungary – 3,026 enterprises employing 275,000 persons. Smallest proportion of medium- and high-growth enterprises were in 2012 registered in Latvia, Romania and Lithuania.

Conclusion

The aim of the paper was to delimitate high-growth enterprises following the internationally accepted OECD definition and to investigate their prevalence and distribution at the country level in the Central European region focusing on tertiary sector. Key conclusions may be summarized as follows:

- High-growth enterprise according to the OECD definition represents a company achieving higher annual growth than 20 % over a three years period and employs ten and more persons at the beginning of the observation.
- Gazelles form a subgroup of high-growth enterprises with less than five years age.

- In 2011, in Romania, Slovenia, Lithuania, the Czech Republic, Estonia and Hungary, high-growth enterprises are more prevalent in the services sector than in the rest of the market economy, apart from Latvia, where the highest percentage of high-growth enterprises is in the manufacturing and construction sector.
- Gazelles corresponded to around 0,2 % - 0,7 % of the total enterprise population in 2011 in Slovenia, Hungary and Romania and dominated the services sector in Hungary and Romania, while the highest share of gazelles in Slovenia is in the construction sector on the basis of employment growth.
- In the Czech Republic, Estonia and Lithuania, gazelles share was higher in 2010, ranging between 0,4 % to 0,9 % in 2010. With the exception of the Czech Republic, gazelles dominated the manufacturing sector.
- While high-growth enterprises in CEE countries represent a small share of the total enterprise population, they on average employ a considerable number of persons.

There shall be noted that the employees growth method for measuring economic growth presented in this paper has its limitations (e.g. it doesn't distinguish between growth rates of various industries). However, for a long time scientists have been searching for statistical tools and data sets to make it possible to trace the growth and exactly the firm size (and its role in job creation) has attracted much attention as an important differentiating characteristic.

In conclusion, it is clear, that there is a significant lack of complex data covering the statistics of high-growth enterprises and gazelles at the country level in the whole EU, not only in the CEE region. We strongly recommend to implement statistical monitoring of this data, especially in Slovakia, with the intention to collect samples of enterprises to be investigated including sectoral coverage, time period and size of the sample relative to the overall population of enterprises in the country.

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Transatlantic Trade and Investment Partnership – Challenges for CEE Region

Andrea Vargová¹

Abstract

Trade and economic relations between the U.S. and the EU are among the most important in the world economy. Ambitious agreement on transatlantic trade and investment partnership (TTIP) should remove all obstacles to mutual trade exchange between the U.S. and the EU. Commercial exchange amounts to €2 billion a day and involves roughly 40% of global trade. The negotiators have set a target to conclude the negotiations by the end of 2015 and help to the economies eliminate the effects of still ongoing economic recession. As always before deciding to negotiate a trade agreement, the EU carried out an impact assessment of the potential effects of the agreement. This assessment examined not only the potential economic impact, but also possible social and environmental impacts. It looked at what might happen as a result of varying degrees of trade liberalisation between the EU and US. In any case, the overall outcome for the EU was positive; but what was clear was that the more liberalisation there was, the better the overall result. In the article, we will try to bring an overall picture what would be the challenges for CEE region.

Key words

transatlantic relations, negotiations, U.S., EU, CEE region

JEL Classification: F15, F50, F51

Introduction

The Transatlantic Trade and Investment Partnership represents a unique opportunity for the two large trading partners – US and the European Union– to break down on red tape and increase commercial exchange to ensure competitiveness on both sides of the Atlantic. The TTIP is going to bring new impetus to what is already the largest commercial relationship in history. It is going to increase the flows, and it is going to create entirely new opportunities for companies here and companies in the US. In today's environment, countries and companies want to cut as much risk as they can by going with what they know can work.

Today, CEE countries show signs of recovery from the global economical crisis. Some recover faster, other countries slower. But each one of them has numerous opportunities for future economical development. Their main advantages are great location which opens markets of over 200 million consumers, qualitative labor force for relatively low costs, good atmosphere for foreign investments and business development. There are still plenty of unexploited opportunities in CEE, whether in its huge surfaces of arable land, in its strong skills in technical and technological areas, numerous investment incentives or unique touristic destinations.

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1 Methodology

The aim of the article is to describe identify the opportunities for CEE region countries and determine the potential for and perspectives of such cooperation. We argue that such a cooperation is very convenient and will bring lots of benefits and new opportunities especially in predominantly commercial cooperation, but also strengthen the cooperation in research and development. From the theoretical methodologies we will use historically logical method that enabled us to examine the current state of the synthesis we used when writing general. Systematic method we used when we examined the object as the entire department and its current status and opportunities for future development.

2 Results and Discussion

According to Vinod K Aggarwal and Simon J Evenett (2013) although the global economy has begun to recover from the 2008-2011 financial crisis, challenges to the world trading system have increased. Several trends are taking public policies further away from the core WTO disciplines of non-discrimination, namely MFN and national treatment. This has manifested itself in 1) growing resort to protectionism in the wake of the crisis; 2) continued interest in FTAs, in particular strong interest in interregional RTAs, such as the TTIP and TPP. After 15 years of economic boom in Central Eastern Europe, during which the countries in the region enjoyed growth levels twice as high as in Western Europe, the development came to an abrupt halt as the effects of the global economic downturn set in by mid-2008. Several states in CEE were struck hard, the main reason being that many of these countries were in a state of rapid development fuelled by foreign capital when the crisis hit.

The fundamental conditions for growth remain strong, especially so in the reform-oriented countries that had introduced business friendly politics and low tax rates in the run-up of their EU accession. In effect, several countries such as the two largest economies Poland and Czech Republic but also Slovakia handled the crisis surprisingly well. Even the countries hit hardest like Hungary will most likely turn the crisis into an also intensified by the integration of CEE countries into the Eurozone and Schengen area. Low labor costs paired with high-level infrastructural facilities are attracting Western companies. At the same time home-grown firms are attracting global attention. Over the past few years, economic growth in countries in Central and Eastern Europe outpaced global economies, on the whole.

Krajcik et al. (2009) develop a survey and knowledge-based framework and the basis of studying the sample of 200 foreign investors in Slovakia, and with the goal of identifying the most important pressing problems and success factors of doing business in Slovakia in the past decade, currently and in the future, found out that during all the three researched periods the companies similarly defined (although in a different order) the following factors among the top ten most important ones: customers growth, building brand recognition, market share growth, designing effective organizations, cutting costs in the organization, designing and developing new products, and partially also talent management (in the past as talent acquisition and in the future as developing and keeping good people). The importance of factors such as growing the organization, building brand recognition, and thinking and planning strategically lowered, a factor of financial and economic crises appeared and the importance of the factor of cutting costs in the organization increased in comparison with the past. It is obvious that the companies are

surprised by the crisis and react „mechanically“ – by cutting the costs instead of devoting more attention to the strategic issues. The fact that the firms define almost similarly the same factors for the present and for the future decades also indicates that they understand the future as a simple extrapolation of the present and do not expect nor suggest any significant strategic changes for the coming decade.

Therefore there is no better time to invest in the CEE region than now as it is one of the most attractive marketplaces and investment regions in the world. Each of these countries has something extra to offer, they represent a different culture and a different entrepreneurial environment. But what they have in common is the fact that they have managed to enact reforms, implement changes and customize the investment environment in such a way, that it became more accessible and friendly for investment, market entry and business development. Perhaps most importantly, the TTIP would reboot the transatlantic relationship on the new basis of mutual economic interest, rather than relying on the old one of military burden-sharing and solidarity. It would, in effect, reinvent the West — especially if the United States can also reach a deal on a Trans-Pacific Partnership (TPP).

All this will be particularly important for the countries of Central and Eastern Europe (CEE). It is not so much the potential increase in their exports (the big leap there came when they joined the EU). The real gain is in the wider security that comes from having America re-rooted in Europe. The TTIP dilutes the power of protectionist countries such as France, and entrenches the ascendancy of free-trading nations such as the Dutch, British, Swedes and Germans. If it goes through, it will be a further sign that the center of political gravity in Europe has shifted north (and to some extent, east).

But as with all free trade deals, the gains from TTIP are big, distant and diffuse. The costs are smaller, but come instantly and in a concentrated form. Lobbies and vested interests on each side have a lot to lose. The issues are easy to caricature. Will Americans really accept European cheese, with its nasty strong taste and abundant bacteria? Will Europeans accept hormone-treated beef, or chlorine-washed chicken? The answer will come in detailed (read: mind-numbing) negotiations about subsidies, product controls and tariffs. On this issue, the CEE countries have a lot to gain. Both sides should be blushing about the costs they impose on their taxpayers and consumers in order to pamper farm lobbies. But the CEE countries in particular are not great beneficiaries of the existing EU regime. If TTIP speeds its erosion, that will mean less EU money wasted on West European farmers — and more available for other projects, of a less wasteful and market-distorting kind. One sticking point will be GMOs (food based on genetically-modified organisms). Here some CEE countries have been shamefully open to lobbying from the superstitious anti-science lobby.

The second big group of contentious issues centers around electronic information. European countries want to protect their audio-visual industries from American competition, while disliking the tough copyright rules beloved by the U.S. entertainment industry. They also take a far tougher stance on data protection and privacy. The CEE countries are divided on this. As instinctive Atlanticists, they do not share the French and German left-wing view that the NSA is a global villain. But with recent experience of totalitarian rule they are highly suspicious of all forms of surveillance, and particularly the prospect of a digital panopticon. They are not great believers in copyright law — their loyalty to America was severely tested by the push for the ACTA treaty on intellectual property. On the other hand, unlike France, they do not have large native film or entertainment industries that depend on government subsidy.

According to Edward (2013) similarly, with regard to high-tech engineering (aircraft and defense equipment) the CEE countries, without much in the way of domestic industry to protect, have a lot to gain from TTIP. They might even benefit from new American investments in Europe. And they will certainly benefit from a wider choice and lower prices. They may also feel, when military equipment is concerned, that buying American is good for NATO solidarity.

The next component of TTIP is services. Here the CEE countries are unambiguous supporters of liberalization. They have been pushing for the EU to complete its own single market in services, but have been held up by professional lobbies and cartels (Italian lawyers and the like). A big push from across the Atlantic will be hugely welcome.

If the CEE countries want the TTIP — as they should — they should make it their top political, diplomatic and economic priority in the coming year. They have the most to gain if it succeeds, and the most to lose if it fails. They should take the negotiations as a chance to show themselves as team players — good Europeans and good Atlanticists. Clearly they cannot please everyone all the time, but on issues where common sense suggests the American side is likely to make concessions they should push the EU to be tough.

Conclusion

The EU will reap many advantages from the planned trade agreement with the US. The US is already an important trading partner and export market for Europe, but there is considerable scope for expansion. Making trade easier and removing barriers to trade through the planned agreement could result in a significant boost to growth for the EU.

The EU economy could grow by €119 billion per year, equivalent to about €500 for an average household. The TTIP could be seen as a sort of growth package without using tax payers' money.

European companies are particularly efficient in the areas of services. Better access to the US market, for example in the area of management consultancy or environmental services, would be good news for them. That is why the EU's negotiators are using the trade talks to try to open up the US services market to EU firms.

EU countries are major investors in the US. Their combined investments in the US top €1.6 trillion, making the EU the biggest investor in the US. So EU countries have a major interest in ensuring that their investments abroad receive the best possible protection – as is the aim in the TTIP.

The planned trade agreement will not just benefit big firms: it will bring many advantages for small and medium-sized companies too. The EU and US have already agreed to include specific measures in the agreement so that smaller firms will be able to benefit from it in the same way as larger ones.

According to Robert E. Scott (2014) the advantages will not just be limited to Europe. The planned agreement will also have effects on the global economy. Increased trade between the EU and the US will raise demand for raw materials, components and inputs produced in other countries. In total, the global economy is forecast to grow by an extra €100 bn as a result of the increase in transatlantic trade. The harmonising of standards between the EU and the US could provide the basis for global standards. This would mean

companies would only have to produce goods to a single global standard thereby making trade easier and cheaper.

In the area of trade policy the European Commission negotiates on behalf of the EU and its 28 Member States. It is more effective to speak with one voice for 500m people than if each Member States tried to negotiate separately. The planned trade agreement is no exception and so in the TTIP negotiations the EU is represented at the negotiating table by the European Commission. The Commission works according to guidelines agreed by the EU's Member States. This negotiating mandate is agreed unanimously by all EU Member States. The Commission's trade department (Directorate General for Trade) takes the lead in the negotiations while working closely with other Commission departments. The US is represented by the United States Trade Representative (USTR). Since the first round of talks in June 2013, the negotiations have continued every few weeks. The TTIP was also an important point on the agenda of the 2014 EU-US summit in Brussels which brought together the president of the European Commission Jose Manuel Barroso, the president of the European Council Herman van Rompuy and the president of the US Barack Obama.

Within the EU, apart from the European Commission, the Council (where representatives of the Member States' governments sit) and the European Parliament are also regularly involved in the negotiating process. The Commission has a legal obligation to consult the Council on all aspects of the TTIP negotiations. This occurs in various formats and at different levels. Since the start of the TTIP process the Commission has had more than 45 meetings with the EU's Member States, including at ministerial level. On top of this there are numerous bilateral and other meetings. The European Parliament is similarly consulted and informed. In addition to the European Parliament's Trade Committee, a specially set up Monitoring Group and a group of high ranking MEPs around the Parliament's president also work on the TTIP.

Since the beginning of the talks, representatives of the Commission have appeared in the 15 meetings of the European Parliament and many more informal meetings to brief MEPs and answer their questions. So far, the Commission has sent more than 65 important TTIP documents to the European Parliament and answered over 80 parliamentary questions. The Parliament has welcomed this openness and transparency on several occasions.

Despite relatively low bilateral trade with the US, TTIP will have a huge impact on CEE countries because of their place in Europe's supply chain. Germany is one of the key trading partners for the US and Germany is also CEE's most countries greatest trading partner. There is a direct link and there will be direct benefits. Furthermore, the reduction of non-tariff barriers will directly impact US companies trading in CEE countries and will provide new opportunities to mid-sized companies that have otherwise been discouraged by costly standards requirements. The challenges of TTIP are great, but so are the potential benefits

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Impact of Global Trends on Hotel Business in Bratislava City

Anna Veszprémi Sirotková¹

Abstract

Hotel business is very competitive and this is the reason of strong efforts of hotel keepers to follow and implement the latest technology, product and marketing trends into their own business. The aim of the article is to point up to new global trends in hotel business and to show how they impact the hotel business in Bratislava. Bratislava as the capital of Slovakia is known as the favorite tourist and business travel destination with several global luxury brand hotels established here. The results were achieved through primary and secondary research. Our results and conclusions show that global trends in hotel business positively influence the quality and performance of hotels in Bratislava.

Key words

hotel business, global trends, technology, marketing

JEL Classification: L83, L26

Introduction

Endeavour of product quality improvement and cost reduction leads hotels to seek their ways to solve these problems also through the way of co-operation with the other enterprises in the form of informal and formal agreements, which bring advantages to all participated parties. In this case we talk about integration groupings, alliances and networks. Hotels seek ways to improve their performance by innovations in product, processes, management and marketing. There are many internet sources where they can find information on the latest trends in technology, new products and services, for example Hospitality Upgrade, Hotels-online, Hotelsmag.com, etc.. They may join discussion groups on LinkedIn, for example Top Hotel Projects, International Luxury Hotel Association Hospitality, hotels, travel, food, beverage, tourism; Brand Management, etc. In the next part we will show some findings on the latest trends in hotel industry.

1 Methodology

The aim of the article is to point up to new global trends in hotel business and to show how they impact the hotel business in Bratislava. Bratislava is the capital city of Slovakia and is known as the favorite tourist and business travel destination with several global luxury brand hotels established here.

The results were defined through primary and secondary research by using several statistics and graphic methods. We have completed firstly literary research of the latest articles of authors in Slovakia and in other countries to gain the complete point of view on the selected theme. We have analyzed 38 top luxury hotels in Bratislava as we consider them being leaders in technology innovations.

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We have compared branded and independent hotels. Our results and conclusions show that global trends in hotel business positively come from branded hotels. Strong competition in saturated market positively influences the quality and performance of hotels in Bratislava.

2 Results and Discussion

Main driving forces in global economy are considered IT technologies, mobility of people and tourism, in frame of which hotel business as providers of accommodation services play significant role. Hotels are accommodation facilities for temporary accommodation of guests, which have more than 10 rooms. They offer except accommodation and catering also complementary services, entertainment and social services, services to business travellers, recreation and sport services for active spending of free time. (Novacká, Ľ. 2010, pp. 197).

Hotels offer not only services for visitors, but also for local residents, they contribute conditions for sustainable development with multiplicative effects on national economy rebound mostly in revenues of business in tourism and supply sector, in income from contributions and taxes to state budget, in employment rate increase, particularly of young and less qualified people.

Product of hotels was defined by several authors (Kotler, P. 2005, Novacká, Ľ. 2010, p. 199, Gúčík, M. 2007, Hollensen, S. 2011, Horner, S. – Swarbrooke, J. 2003. Walker, J. R. 2002). It consists of accommodation, hospitality and complementary services, has intangible features, such as experience of the guest and is impossible to store it, so it is very important to sell as many rooms as possible through several distribution channels with strong marketing effort based on excellent product for an appropriate price.

Economic sphere has significantly changed thank to technology and globalization. Consumers are more educated and have better tool, e. g. internet, that allow them better choice when buying. (Kotler, P., 2005, p. 5) These trends appear also in hotel business, where permanent innovations are necessary. (Orieška, J., Smutná, E. 2013, p. 4) Main ways of building the competition advantage are product improvement and creating the long term relationships with customers. (Lesáková, D., 2006)

It is not possible to try the product of hotel in advance and purchase of this product always represents a certain risk for the customer. From this reason it is very important for the hotel to gain the customers confidence. This confidence is empowered by good reputation of the hotel with top quality services at favourable prices.

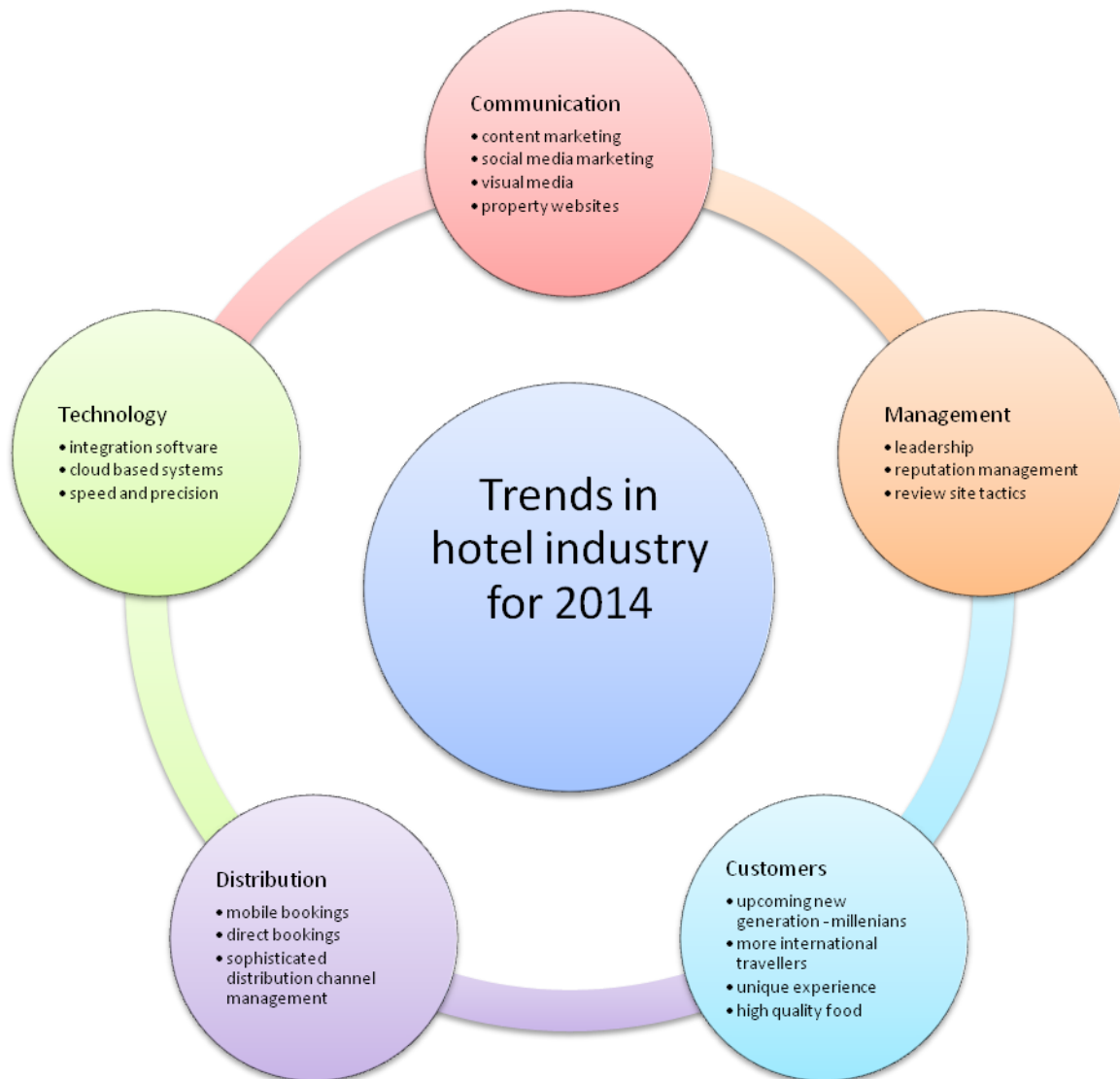
In past information about hotel was widened mostly by verbal communication, in recent time internet social networks as for example Twitter and Facebook allow sharing information much faster to significantly more people. This means high potential risk according the fact, that unsatisfied customers share their negative experience much more often than the satisfied one. There are some specialized internet portals where people share their experience in hotels and they also may make a reservation of the hotel room such as Booking.com, Trip Advisor, Expedia, etc.

2.1 Global trends in hotel industry for 2014

Hotel business faces many positive and negative trends and also externalities from an external environment, both local and global. It is crucial for their surviving to know them and react in the best possible way. Many consulting companies (PWC, STR Global) and research institutions (Cornell University, University of Economics in Bratislava) base their interest on observing of new trends in tourism, hotel and hospitality industry.

We were inspired by authors Rauch and Sanghi (2014) in creating the figure of global trends in hotel industry for 2014.

Figure 1 Global trends in hotel industry for 2014



Source: RAUCH, R. (2014). Top 10 Hospitality Industry trends in 2014. Retrieved June 17, 2014, from <http://www.hospitalitynet.org/news/4063217.html> and SANGHI, M. (2014). Top 10 Hotel Hospitality Industry Latest Trends of 2014. Retrieved June 25, 2014, from <http://www.hotelogix.com/blog/2014/01/07/top-10-hotel-hospitality-industry-upcoming-trends-of-2014/>

Customers of hotels are sophisticated and they have an access to gain all information they need when selecting their hotel of their choice. Their uncertainty is lowering when they find reviews of hotels put by their friends and family members on internet travel pages such as Yelp, Booking.com, TripAdvisor, ExpediaCom etc. It is very important for hotel management to review these sites too to be informed about reactions of their guests and their experience with services they provide. New technologies also help managers to save their time and money.

2.2 Actual performance of accommodation facilities in Bratislava and in Slovakia regions

In this part we would like to compare Bratislava with the rest regions in Slovakia, with the purpose to point up, that this location has big advantages due to its excellent cultural, political, economical and social environment with many attractions and events both for tourists and business travellers. These advantages lead to better results in hotels performance. In last years this led to huge investment in hotel business in luxury hotels segment by strong international hotel companies with branded hotels as well as some Slovak investors have established their new independent luxury hotels. Due to crisis the hotel market became saturated and it caused decrease in actual number of hotel facilities in comparison with the last year. The comparison of Bratislava and other regions in Slovakia is shown in table 1.

Tab. 1 The capacity and performance of accommodation facilities in Slovakia regions in 1. quarter 2014/2013

Region	Number of accommodation facilities		Number of rooms		Number of beds		Bed occupancy (%)	
	2013	2014	2013	2014	2013	2014	2013	2014
Bratislava	238	222	9919	9680	22100	21207	21,5	21,1
Trnava	279	266	5928	5656	13933	13271	19,7	19,6
Trenčín	248	238	4887	4716	11643	11169	17,6	23,0
Nitra	309	296	5107	5102	13012	13304	13,2	15,2
Žilina	906	865	12788	12296	35523	34376	25,3	26,3
Banská Bystrica	507	480	7650	7350	20047	19245	22,9	25,6
Prešov	716	669	11361	10766	30400	28790	26,6	27,4
Košice	341	323	5410	5119	14215	13417	10,2	11,0
Total	3544	3359	63050	60685	160873	154779	21,3	22,6

Source: Ministry of Transportation, Construction and Regional Development of the Slovak Republic. <http://www.telecom.gov.sk/index/index.php?ids=159221>

From the table we may see the decrease in capacity and in occupancy in Bratislava region in the first quarter of 2014 in comparison with the same period in 2013. The largest capacity of accommodation facilities is in Žilina region, the highest occupancy rate was reached in Prešov region. When comparing numbers of accommodation facilities and number of beds, we may conclude, that Bratislava region has only 222 accommodation

facilities, but their capacity in number of rooms and beds is comparable with the top regions in Slovakia.

Performance of accommodation establishments in Slovakia regions in the first quarter 2014/2013 is shown in table 2. Year 2013 was very successful, but decrease in performance of accommodation establishments is very significant and hotels face the need to increase their effort to attract more guests.

Tab. 2 Performances of tourism accommodation establishments in Slovakia in 1 st quarter 2014/2013

Region	Turnover from accommodation services to all visitors (EUR)		Turnover from accommodation services to foreign visitors (EUR)		The share of visitors on total turnover	Average price for accommodation services (EUR)	
	2014	Index 14/13	2014	Index 14/13		2013	2014
Bratislava	12 844 139	81,7	8 619 825	78,2	67,11	42,5	36,6
Trnava	3 994 447	88,8	2 136 921	85,0	53,49	22,5	22,2
Trenčín	4 742 779	99,7	1 113 630	85,0	27,87	27,2	26,8
Nitra	3 141 340	108,9	1 390 219	95,9	44,25	30,0	29,1
Žilina	14 215 584	90,5	7 028 015	96,1	49,43	22,9	24,4
Banská Bystrica	6 488 892	97,1	1 112 347	78,3	17,14	22,5	22,9
Prešov	11 071 801	96,4	4 307 253	84,6	38,9	21,8	22,6
Košice	2 751 989	91,6	1 209 113	95,7	43,93	26,8	28,0
Total	59 250 971	91,5	26 917 323	85,8	45,42	26,3	26,1

Source: Ministry of Transportation, Construction and Regional Development of the Slovak Republic. 2014. Retrieved on June 2, 2014, from <http://www.telecom.gov.sk/index/index.php?ids=159221>

Bratislava region in this period had the second highest turnover from accommodation services to all visitors and the highest turnover from accommodation services to foreign visitors, despite of the fact, that it reached the worst decrease in turnover from accommodation services by 18,3 % in total turnover from accommodation services and by 21,8 % in turnover from accommodation services to foreign visitors. Decrease in average price for accommodation services was 5,9 %. On the other side, Bratislava has the highest share of foreign visitors on total turnover and also the highest average price for accommodation services. The latest possible data on visitors and nights spent in Bratislava are given by Bratislava Tourism Board, that pointed that most visitors come to Bratislava during Jule and August. (Bratislava Tourism Board, 2014, p. 4)

2.3 Overview of evaluation of Bratislava luxury hotels by visitors on selected internet travel portals

Luxury hotels are expected to offer their guests the most memorable experience. To sustain their position on the market due to strong competition and limited demand, they improve their products according to latest trends. They try to achieve better performance results by decreasing the costs by applying new technologies in processes, in management and also in marketing. Branded hotels mostly use the same technologies as their hotel

company to sustain compatibility of all hotel property management systems. Independent hotels have to keep their competitiveness by offering original top quality product and by implementing all possible innovations in all their activities.

All luxury hotels in Bratislava have an access to internet, e-mail and internet reservation systems. It is necessity due to the fact, that internet purchases have a fast growing trend. It is visible in the table 3, where we can see its development in selected European countries since 2004. In 2013 in Slovakia, 30 % of all purchases were realized via internet.

Tab. 3 Internet purchases by individuals (%)

Geo/Year	2004	2011	2012	2013
European Union (28 countries)	:	33	35	38
Czech Republic	3	16	18	21
Germany (until 1990 former territory of the FRG)	29	54	55	60
Hungary	2	13	15	17
Austria	13	35	39	46
Poland	3	20	21	23
Slovakia	6	23	30	30

Source: EUROSTAT, Retrieved May 20, from <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tin00067&plugin=1>

Hotels in Slovakia may purchase modern property management systems (PMS) also from domestic suppliers, for example Asseco Solutions or Alto Slovakia, that actualize them according to all legislative changes. Modern marketing tools, such as cloud solutions, mobile applications and social marketing are also affordable for them. Hotels may see feedback from their guests on several internet travel portals. It is very important for them to react on both positive and negative comments to insure, that they care of their guests and that satisfaction of their needs is priority for them. In our research we observed evaluation of all medium and luxury hotels in Bratislava on internet travelers portals Booking.com and TripAdvisor.com by travellers. The results are given in table 4.

Tab. 4 Overview of evaluation of Bratislava medium and luxury hotels by visitors on selected internet travel portals

Hotel class	BOOKING.COM		TRIPADVISOR.COM	
	No. of evaluations	Average evaluation	No. of evaluations	Average evaluation
***	6 203	7,8	1 607	6,5
****	15394	8,588	4 661	8,2
*****	1 978	9,34	1 976	9,6

Source: Processed and calculated data of individual hotels on internet sites. Search of Hotels in Bratislava. Retrieved June 20, 2014, from

http://www.booking.com/searchresults.sk.html?src=index&nflt=&ss_raw=Bratislava&from_autocomplete=1&error_url=http%3A%2F%2Fwww.booking.com%2Findex.sk.html%3Fsid%3D809adfc0b845175aa9ce383eac2863e%3Bdcid%3D4%3B&dcid=4&sid=809adfc0b845175aa9ce383eac2863e&si=ai%2Cco%2Cci%2Ccre%2Cdi&ss=Bratislava%2C+Bratislavsk%C3%BD+kraj%2C+Slovakia&idf=on&no_rooms=1&group_adults=2&group_children=0&dest_type=city&dest_id=-840999&ac_pageview_id=eb85469db3f30009&ac_position=0&ac_langcode=en&ac_suggestion_list_length=5 and http://www.tripadvisor.sk/Search?q=Bratislava&geo=&pid=3826&returnTo=http%253A__2F____2F__www__2E__tripadvisor__2E__sk__2F__

Hotels could gain maximum 10 points, we can see, the top results were reached by top luxury hotels, four from five of 5* hotels were international branded. In luxury segment of 4* and 5* hotels there were 13 international branded in the top 20. As the result we may confirm, that internationally branded hotels in Bratislava are considered of higher quality and higher satisfaction of guests and that they are leaders in all spheres of hotel business.

Conclusion

The aim of the article was to point up to new global trends in hotel business and to show how they impact the hotel business in Bratislava. Bratislava as the capital city of Slovakia is known as the favorite tourist and business travel destination with several global luxury brand hotels established here.

As the result we may confirm, that internationally branded hotels in Bratislava implement and follow the global trends in hotel industry and as the result, they perform higher quality services and higher satisfaction of guests. Independent hotels in this very competitive environment have to keep the line with them in the terms of performance of high quality services and satisfaction of their guests by following the global trends in hotel business. It may be seen in economic results of this region.

Bratislava region had in the 1st quarter of 2014 the highest turnover from accommodation services to all visitors and the highest turnover from accommodation services to foreign visitors among all other much larger regions in Slovakia. Bratislava has the highest share of foreign visitors on total turnover and also the highest average price for accommodation services.

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European Approach to Business Failure and Insolvency

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Abstract

The global economic crisis has negatively affected the financial situation of many entrepreneurs. The current data demonstrate that approximately 200,000 entrepreneurs face insolvency each year in the European Union. This accounts for about 600 bankruptcies per day. Bankruptcy should be seen as a natural component of market economies, and it is well-known that about a fifth of successful entrepreneurs failed in their first business. Bankruptcy is usually resolved in two ways, i.e. liquidation or restructuring. The European Union emphasizes the efficient and timely restructuring of businesses and the creation of opportunities for a second chance to business. The European Commission adopted, on the 12th March 2014, a recommendation on a new approach to business failure and insolvency (2014/135/EU). This paper aims to provide an insight into this recommendation, and therefore, the authors analyse it in successive steps. The main objective is to demonstrate the EU's current priorities in the field of resolving business insolvencies.

Keywords

business failure, insolvency, recommendations of the European Union

JEL Classification: K39

Introduction

The problem of insolvency is affecting many entrepreneurs due to the influence of the economic and financial crisis. Around 200,000 businesses become insolvent each year according to data in the European Union. If a business entity fails to remove the unfavourable conditions in a short period of time, then he is threatened by an irreversible decline. Around 600 businesses are affected by decline each day across Europe, and as a result, 1.7 million people lose their jobs each year. About one quarter of these bankruptcies have a cross-border character.

The Bankruptcy Law regulates the methods for resolving a debtor's insolvency, and it forms an integral part of the legal systems of all the EU member states. However, different rules apply across the EU member states. On the other hand, there are certain areas of insolvency law where harmonisation is worthwhile and achievable. Therefore, the European Commission set out common principles for national insolvency procedures for businesses in financial difficulties. Their aim is to shift the emphasis away from liquidation towards supporting the restructuring of viable businesses at an early stage in order to avoid insolvency. The Commission aims to give businesses the opportunity to restructure and continue an active business, and to protect the right of creditors to receive their money back. According to Ďurica (2010), restructuring aims to help the recovery of business entities. The advantage of restructuring is that a business entity remains active, continues production or the provision of services, employs workers, continues trading, and

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his assets are not converted into cash. The assets remain the property of the debtor. The restructuring process aims to retain a substantial part of the operations of a business.

Post-bankruptcy, virtuous entrepreneurs should get a second chance to restart viable businesses. Surveys show that entrepreneurs, who failed businesses at the start, and then started again, have learnt from their mistakes and have become successful second-timers.

1 Methodology

The aim of this paper is to analyse a new approach to business failure and insolvency in the European Union. The data show the significance of measures, as, in recent years, an average of 200,000 companies went bankrupt each year in the European Union. Secondary sources of data on EU law and fundamental scientific methods have been utilised to achieve the set objectives. They include the methods of analysis and synthesis, induction and deduction, abstraction and generalization.

2 Results and Discussion

2.1 The Existing Legal Framework for Insolvency in the European Union

A keystone for European insolvency law is the Council regulation (EC) No 1346/2000, dated on the 29th May 2000, on insolvency proceedings (OJ EC L 160, dated on the 30th June 2000, p. 191), which came into force on the 31st May 2002. The regulation establishes a European framework for cross-border insolvency proceedings. This regulation is applicable if the debtor has assets or creditors in more than one Member State. It also determines which court has jurisdiction to initiate insolvency proceedings. It is important to emphasise that the central insolvency proceedings are to be initiated in the Member State where the debtor has the centre of his main interests (COMI); whereas the effects of these proceedings are to be recognized throughout the European Union. Secondary proceedings may be opened in the Member State where the debtor has an establishment, whereas the effects of these proceedings are limited only to assets located in that Member State. The regulation also aims to define the law applicable, and aims to provide for the coordination of the central and secondary insolvency proceedings. The regulation defines the law applicable in all Member States except Denmark. Even though the regulation has provided a successful framework for the simplification of cross-border insolvency proceedings across the European Union, there have been problems in its application, for example when determining which Member State has jurisdiction to open insolvency proceedings. Problems have occurred in secondary proceedings, after initiation, where the liquidator of the central proceedings has lost control over the property, which is located in another Member State. Regulations both on the disclosure of information on insolvency proceedings, and the rules for claiming receivables are seen as problematic. The regulation is not fully adapted to the current priorities of the EU, in particular to the efforts to rescue businesses in difficulty. Even though the regulation has a cross-border character, it has not harmonised legal regulations on national insolvency proceedings. Therefore, differences between national regulations persist. The Commission proposes the modernisation of the regulation, but these changes concern only cross-border cases.

The European Parliament resolution of 15 November 2011, is regarded as an important document, with recommendations to the Commission on insolvency proceedings in the context of EU company law [P7_TA (2011) 0484]. The European Parliament called for the revision of the insolvency proceedings (in response to the proposed changes to the regulations) and recommended harmonising specific aspects of insolvency and company law within the Member States.

The European Commission, within the Single Market Act II of 3 October 2012 [COM (2012) 573], proposed to modernize insolvency proceedings in cross-border cases and to create a favourable environment to present a second chance for unsuccessful entrepreneurs, by means of depriving them of debts incurred in the business.

The Communication from the Commission on a new European approach to business failure and insolvency of 12 December 2012 [COM (2012) 742] emphasises the disparities between national regulations on insolvency proceedings which would impede the creation of an effective internal market. The creation of similar framework conditions would help businesses, entrepreneurs, and individuals to increase their confidence in the systems of the Member states, they would also improve access to credit and would stimulate investment. The Communication from the Commission initiated a debate on a new EU approach to business failure with special attention to national insolvency rules.

The Commission in the Action Plan Entrepreneurship 2020 of 9 January 2013 [COM (2012) 795] invited the Member States to reduce, when possible, the discharge time and debt settlement period for honest entrepreneurs after bankruptcy (to a maximum of three years) and to provide support services for early restructuring, and introduce services of consultancy, bankruptcy prevention, and ensure support for small and medium-sized enterprises in the field of restructuring and re-establishment.

2.2 European Commission Recommendations on a New Approach to Business Failure and Insolvency

In compliance with the above-mentioned documents, the European Commission adopted the recommendation of 12 March 2014 on a new approach to business failure and insolvency (2014/135/EU). This recommendation aims to ensure that viable businesses in financial difficulties, regardless of their location in the European Union, should have access to national insolvency frameworks which would enable them to restructure at an early stage to prevent their insolvency, and thus maximize value for the benefit of creditors, employees, owners and the economy. The recommendation also aims to provide a second chance to honest entrepreneurs after insolvency.

Based on this recommendation, the restructuring process should not be lengthy and costly; it should allow for greater flexibility for extra-judicial settlements. The involvement of the court should be limited to cases where it is necessary and appropriate to protect the rights of creditors and other interested parties affected by the restructuring plan. Debtors should be able to begin the process for restructuring their business without the need to formally open court proceedings. At the same time, they should have the right to ask a court to grant a temporary stay of enforcement actions, which would otherwise enforce the prospects of individual creditors involved in the restructuring plan. The duration of this stay should create a fair balance between the interests of the debtor and the creditor. The duration of the stay should not exceed four months. The Member States may extend the

duration of the stay upon evidence of progress in the negotiations on a restructuring plan, but the total duration of the stay should not exceed 12 months.

The recommendation determines the basic criteria for the content of the restructuring plans and of their acceptance by creditors. Member States should ensure that courts can reject restructuring plans which clearly do not have any prospects of preventing the debtor's insolvency and ensuring the viability of the business, for example, because they do not estimate the money needed to fund an investment. All creditors who are affected under the restructuring plan should be informed about the content of the plan and gain the right to object or appeal against it. The appeal, in order to satisfy those creditors who support the plan, should not in principle suspend the implementation of the restructuring plan. A new source of financing for a restructuring debtor should be given enhanced legal protection. It should not be invalidated or irrecoverable as long as it is agreed upon in the restructuring plan and confirmed by the court, with respect to the negative impact on creditors and the degree of their satisfaction. The providers of new financing, as part of a restructuring plan which is confirmed by a court, should be exempted from civil and criminal liability. In the event of fraud in new financing, the exceptions to the rules on new financial support should be applied.

The Recommendation 2014/135/EU aims to give honest bankrupt entrepreneurs a second chance, by granting them discharge from the debts. Entrepreneurs should be completely discharged from their debts which were subject to liquidation after no later than three years.

The European Commission invites all Member States to implement the principles set out in the Recommendations no later than March, 3, 2015, and to collect reliable annual statistics on the number and duration of preventive restructuring proceedings, the number of debtors involved and the outcome of the individual proceedings.

Conclusion

An efficient solution to insolvencies and the maintenance of sustainable growth are perceived as the most important issues for the European economy. The European Union emphasizes the effective and timely restructuring of indebted businesses in order to prevent their definitive insolvency and maximise economic value for creditors, employees, owners and the economy. A rational and preventive approach to handling insolvency provides a second chance to bankrupt entrepreneurs. Giving a second chance to entrepreneurs in order to restart a viable business and keep jobs is a key element of the new European approach to business failure and insolvency. The aim of this approach is to encourage European businesses in internal markets. Modern insolvency laws within the Member States should ensure the survival of healthy businesses and provide entrepreneurs a second chance. Prompt and effective action should be ensured in the interests of debtors and creditors with the aim to help the preservation of jobs, to retain suppliers and to maintain value in viable businesses.

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Current Consumer Buying Behavior¹

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Abstract

The aim of this article is to present current trends in Slovak society and their impact on buying behaviour. There are numerous research studies which attempt to understand, explain and predict consumer buying behaviour. The results indicate that various consumer typologies are characteristic of certain patterns, including what, how much, how, where or why particular consumer types buy specific products. Realized focus groups completed using a cohort of university students has suggested that buying behaviour of young people imitate to a certain extent trends within the broader society.

Key words

buying behaviour, trends, lifestyle, customer typology, focus group

JEL Classification: M31

Introduction

We live in turbulent times which bring changes in the way of shopping. For example credit cards and hire sale allow to make a purchase, even though we have enough money. Increasing number of malls leads to the fact that shopping becomes a sort of social or entertainment event. Too wide range of products sometimes leads to uncertainty and confusion. The aim of this paper is to show some actual trends in global society as well as trends of buying behavior in the Slovak society. These are accompanied by the results of two focus groups realized among students at the University of Economics at Bratislava.

1 Methodology

There are some contrary tendencies worldwide in relation to consumption. In this paper are presented the results of a research conducted by agencies, experts and academics as well as the results of a qualitative research realized among students of Faculty of Commerce at University of Economics at Bratislava. This research was realized in 2011 in the form of two focus groups, each of which consisted of ten university students. The role of students was to discuss about their shopping behavior and some elements related to this topic.

¹S. G. A. 1/0178/14 Common EU consumer policy and its implementation EU in the Slovak Republic with an impact on consumer education

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2 Results and Discussion

2.1 Trends in society

When we look at behaviors within our society, we can derive a number of trends, including contradictory trends that seem to go against certain norms. Meaning that part of society tends to migrate to one pole (of behavior) while the other cohort within our society appears to be the opposite. According to Gibler and Nelson (2003) a growing number of people share a set of values based on environmentalism, feminism, global awareness and spiritual searching. Various academic and professional researchers (Blackwell, Miniard & Engel, 2006; Borbás, 2011; Horváthová, 2011; Kacprzak&Choinska, 2011; Miklošik, 2011; PricewaterhouseCoopers 2010; Richterová et al. 2010; Sarkar, 2008; Struning, 2006; Tax, 2003) have analysed these trends in society, some of which are summarized as follows:

Globalization and ethnocentrism. Consumers are under constant pressure as a result of globalization although they may be frequently reminded or convinced of the necessity of buying domestic products.

Overconsumption. People consume increasing amounts of goods and services. They want and desire more and more because advertising and corporations tell them it is what they need in order to be feel "fulfilled" and satiated. The effects related to overconsumption are visible. For example, we can observe include cohorts within the society purchasing large number of products or buying goods which consumers may not necessarily need.

Reduced consumption. As opposed to overconsumption, there is growing consumer interest in achieving a healthy lifestyle and maintaining environmental protection. Consumers take interest in the origin of the products they purchase, and the ingredients that are contained within those products, in addition to the products potential impact on the environment.

Hedonistic consumption. The standard model of the purchase decision process indicates a consumer rationally compares different alternatives. The hedonistic based decisions highlights multi-sensory forms together with fantasy and emotive aspects. This is reflected when people visit a mall with an unspecified purchasing intention; only to walk around the mall and soak up the atmosphere. This type of purchase decision may result in the purchase of a good or service without much decision making.

Ethical and esthetic considerations. Part of society considers re-evaluating how a purchasing decision impacts their quality of life and focuses more on quality of consumption than on quantity aspects. It is possible in this scenario that changing attitudes and values may lead to sustainable consumption.

Homogeneity and heterogeneity of consumption. One effect of globalization is uniform or similar offers leading to similar consumption patterns and assimilation of life styles of different social groups. On the other hand, an individuals effort to maintain self-expression leads to heterogeneity of consumption.

The structure of family and household. Even in family life, there are major changes. Is no longer taken for granted that a household might consist of two married people. The number of single couples is increasing; and young people raise their children without being officially recognized as husband and wife. Changing roles of men and women within

a family unit and the increasing influence of children on their parents' decision have also been observed.

2.2 Buying behaviour in Slovakia

Buying behaviour has been the subject of various qualitative and quantitative surveys worldwide. The aim of these studies is to describe and understand the behavior and choice of consumers during the purchase process.

For example, company Henkel has published a study "The Shoppers' Perspective" (Henkel, 2009) which presents a typology of customers based on their purchasing behavior, including (1) customers who plan their purchase in advance and they are most likely influenced by pre-shopping stimuli such as coupons, (2) customers who plan their purchases much less and rarely save coupons, they are sensitive to in-store promotions and offers (3) customers who bypass most pre-planning and in-store promotions., they tend to ignore prices and buy what they like.

GfK Slovakia (2011) conducted a survey on household consumption and developments within the retail sector in Slovakia. Results from 2010 and 2009 indicate the following facts:

- *real wages are declining, but consumption remains stable.* The consequence of this situation may be that households save less or, alternatively they live off savings or borrow more.
- *purchases are made less often, but spend more on one purchase.* This fact confirms the previous fact that household consumption is stable. So even if members of households tend to buy less frequently, in the long term they would actually purchase by the same amount.
- hypermarkets and supermarkets are dominant. In these retail units, discounts are realized during more than half of total household purchases.
- proportion of consumers types is changing. GfK Slovakia has created four types of buyers. Within this typology a change occurred between 2009 and 2010: For example, changes included significant decreases in the share of *seekers discounts* from 36% to 21%, drastic increases in the *planners* proportion from 18% to 32%, reducing the share of *dedicated to purchase* from 28 % to 24% and increases in the proportion of those who *buy because of necessity* from 18% to 23%.
- promotion is successful. In 2009, possibly due to the financial crisis, purchases of goods that were offered under promotional activities increased significantly and their share stabilized at around one-third of all purchases.
- *private labels are successful.* Private labels gradually gain a larger share of total household spending in Slovakia and compared with the Czech Republic, Poland, Ukraine, Russia, Romania or Bulgaria, Slovakia has the highest share.

2.3 Focus groups about buying behaviour of university students

In 2011 we conducted focus groups research within the University of Economics at Bratislava. The aim was to determine actual purchasing behavior of young people related to their perception of trends within society. Below are some findings from these focus groups. (*Italic font indicates original statements of the students*).

Current young consumer - a university student

A proportion of students are living with their parents, while a proportion of students are already independent and live on their own. These two groups differ in their buying behavior. Students living with their parents do not take care of housing and food purchases because their parents typically take care of this for them.

Student: I buy when I have to. I am still living with parents, so they mostly take care of fundamental things.

Students who no longer live with their parents, must make purchases of convenience products including most household items such as food, cleaning products, and personal care products.

I live alone so I go shopping. Just during weekends parents take care of me. I go shopping quite often.

I'm already married for half a year and my buying behaviors have completely changed. I buy everything including food. Before I have more enjoyed shopping than now.

Pre-purchase phase

In the case of greater purchase involvement, it takes longer to make decisions regarding those purchases. In this case, young people look for information from friends in addition to information from the internet. This group of buyers diligently reads and may be influenced by on-line discussions and other references. TV advertising and promo materials are not as effective with these students. The students believe that this type of information does not affect them.

So for me it has been very rational. That means, if I want to buy something, I first search for all available information, especially on the net and then I decide to ... and so I detect whether retailers want to manipulate me.

I am not watching TV, only internet – so I am not easy influenced individual.

I have recognised that there (on internet) is so much information that it is worth to read it.

Certainly your relatives and friends more influence you than advertising.

It (advertisement) is screaming from all parts of my body. Everyone perceives it unconsciously. We even don't know we behave according to advertisement.

Some students think about their purchase in advance and even prepare a shopping list. Some students buy impulsively and allow vendors to influence their purchasing decisions while they are in the store.

I always prepare list before I go shopping.

I conversely do not like to write any list. If it is long term investment.

I really seriously consider it and it takes a long time. But for food it uses to be quick; I want this – I buy it immediately.

Shopping centers and shops vs. internet

The research confirmed the role of shopping centers as places where people buy everything, even when they do not need it and also where they spend their leisure time. A students attitude to spending time at a mall setting may be negative, but on the other hand, some of them think it is acceptable and are positive about going to a mall or shopping centre (vs. making purchases on-line over the internet).

They (parents) can let their child in playground and they can do what they want.

Because they (parents) don't know how to play with them (children).

I think it is because parents have no time, they are all the time at work.

I don't understand at all that somebody go there for a walk. I hear it for the first time (laugh).

Students make a lot of purchases in stores, because they need to physically "feel" the goods. They are intensive internet users, which reflect on their purchase decisions. They search for information and also make purchases on internet, especially electronics and books. Some students visit stores at first and then purchase products over the internet.

According to clothes, of course stores. And according to electronics I am looking for it on internet for a long time and comparing price.

I have to feel it, I have to see it...

According to clothes I am becoming more lazy and I start to buy it on-line.

Product origin and components

Some students realize that in order to increase and grow the domestic economy it is appropriate to buy products made in Slovakia. However, they are not always governed by this type of factor. It is also possible that these students might not trust that it is a product actually manufactured within Slovakia.

Recently I thought it would be properly to buy Slovak products. But yet I do not do it at all.

I do it often but not always.

It depends on product type. For example yogurts, I buy Slovak of course.

I am not sure whether we can call it Slovak product if there is some imported component.

I am not interested at all in product components or ingredients.

I think people are interested in ingredients only when they are on diet or have some problem.

Conclusion

Focus groups have shown that a student's purchase behaviour depends on whether they live together with their parents or if they live alone. This affects their interest in convenience type products in addition to their frequency of purchase. The young generation is referred to as the "internet" generation, and is reflected in the purchasing decision process. The internet is a place of collecting, comparing and sharing information, in addition to an on-line place to make purchases.

However, stores, including shopping centers have a place and are still considered to be of importance for students. Stores and malls offer a wide range of goods, a comfortable shopping experience and an opportunity for participating in leisure type activity (i. e., shopping). However, students criticized going to malls even though families with small children still visit malls and shopping centres.

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Energy Efficiency Directive and the Consequences for the Competitiveness of the Slovak Republic¹

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Abstract

Major goal of the article is to analyze positive and possible negative effects of the Commission Directive 2012/27/EU implementation on the competitiveness of the Slovak enterprises as well as the fiscal stability. Positive effects could be expected especially in the public area, and partially in the energy-intensive industries, still more typical for transition economies of the CEE territory. The major findings are focused on a qualified assessment of the directive implementation through either optional or general commitment of the government or a compulsory scheme on the level of energy enterprises. Both options are compared on the Slovak and Czech economies. Based on the indicative of national energy efficiency targets for 2020, in the case of the Slovak Republic analyzed are diversified effects on the national competitiveness, especially through rising energy prices for the industrial sector as well as consumption of the households.

Key words

energy Efficiency, Competitiveness, Energy security

JEL Classification: Q43, Q57

Introduction

The submitted paper deals with the measures by which the European Commission eliminates negative effects on economic growth resulting from the lack of availability of domestic energy resources. International energy market reacted to the high pace of economic growth and the parallel energy demand by increasing prices of energy sources until 2008. Logical expression, based mainly on the growing "hunger" for commodities from the raw material undersized Chinese economy but also from other members of the informal group BRICS, triggered different reaction in developed market economies. EU reacted by suggesting 20/20/20 Strategy. In this strategy, Commission sets the ambitions to eliminate negative impacts of energy balance of the EU through a package of measures in three main areas. The three key fields are concentrated in reducing greenhouse gas emissions by 20 % compared to levels in 1990, increasing the share of renewable energy sources in energy consumption to 20% and 20-percent-progress in improving energy efficiency in terms of both, primary energy consumption and final energy consumption.

This energy-climate package has a fundamental impact on Slovak energetic sector and economy as well. For Slovak energy market, as well as for the overall stability and heading of energy policy of the Slovak Republic, there is a commitment to renewable energy and energy efficiency of strategic importance. First part of such contribution is therefore dedicated to a brief assessment of the fulfilment of the commitment in the Slovak Republic

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in the use of so-called "green sources", the second part is devoted to the implementation and resulting impact of the Directive 2012/27/EU on the energy efficiency of operators who will be responsible for fulfilling the obligations resulting from this legislation. Analogously, based on the experience with the implementation of RES Directive (non-systemic measures, questionable setting of guaranteed prices, an impact on the stability of the transmission system), implementation of this part of the energy and climate package is a crucial determinant for the development of Slovak energetics, which certainly deserves a considerable attention in the field of economic research, impact on the sustainability of public finances, competitiveness, energy suppliers, but also transforming commitment through higher energy prices on the sales prices of the Slovak entities in export markets.

Slovak decision makers, with regard to the necessary implementation of Directive on the energy efficiency, face the choice of so called compulsory scheme (compulsory savings of energy companies) or voluntary commitments to implement the measures. This paper deals with a brief assessment by quantifying the impact on the competitiveness of selected subjects.

1 Methodology

The aim of this paper is to analyse the commitment to implement energy efficiency and its impact on the competitiveness of subjects of economy in the Slovak Republic, as well as the consequences for the fiscal stability of the country through equity in state energy companies. Concerning the main methodology of this paper, the authors use mainly basic, partially advanced methods of scientific work based on the evaluation of secondary data through qualitative methods. Authors use method of analysis and comparison as well. The first chapter analyses the position of RES and analogously the measures in the area of energy efficiency and its impacts on consumers in the form of more expensive electricity. Authors demonstrate the main issues arising from the implementation of the European legislation by synthesis of the problem areas. To the issue of RES, the authors analogously contribute to examination of the impact of increased energy efficiency by specifying the costs of implementation, which ultimately affect company's competitiveness. Emphasis is placed on the implications within energy companies with a state participation. In conclusion, by induction of partial calculations the authors derive specific conclusions and recommendations concerning implementation of the Directive.

Data for cost analysis of the implementation of a mandatory scheme were drawn from official annual reports of energy companies for the years 2012 and 2013. Data regarding the level of costs of energy-efficient solutions were drawn from public presentations of legislation authors from Ministry of Economy of the Slovak Republic in preparatory phase of the legislation and the communication with representatives of a real economy and professional public. Primary data on electricity prices were derived from Eurostat (1st Quarter 2014).

2 Results and Discussion

Several authors dealing with energy market issues (price development in particular) and competitiveness point out to an interconnectivity of these issues and the significant contribution of the energy stability and energy import intensity on the stability and performance of a national economy. Quantitative justification of the relationship between energy consumption and economic growth can be predominantly found through the finding of a reciprocal dependence of data analysis through Granger causality. This is confirmed by data from developing countries, which achieved positive economic growth in addition to an increase in energy consumption (Chontanawat J., Hunt L.C., Pierse R. 2012), in the early stages of economic development. After reaching a certain economic development threshold, several prominent economists have shown a non-linear relationship between energy (especially oil) and economic growth - eg. Yang H. Y. (2000), Lee C. C. (2006), the AL and PL Lam Shiu (2004).

P. Baláž (2007) points to a limited position of energy savings generation in the strategy of energy security: "Energy saving is still a legitimate requirement, still, it remains in the position of a pure vision if handled separately from other elements of the strategy focused on energy." Several authors from leading developed economies of initial EU15 point to a lack of an effective system of implementation of energy and climate package, particularly in the support of renewable energy.

2.1 Energy and Climate Package

Lower import intensity and greater immunity to vulnerability to primary energy suppliers, mainly from the Russian Federation and the Middle East, is the basic reason behind the implementation of the energy and climate package. The Arab Spring and the fact that the spread between Brent and WTI had moved to record levels to the detriment of Brent and what was also due to the political instability of EU oil suppliers, confirmed the merits of this Commission's initiative. Necessary diversification of supply sources and routes of energy carriers to the EU was confirmed by a situation in Ukraine by the end of 2013 and the attitude of the Russian Federation to supply via Ukraine to the EU countries. The perspective to eliminate this strategic risk lies in renewable, drawing on successful models used in Sweden, Denmark and the United Kingdom. However, the intensive implementation of a renewable energy strategy in the energy mix of the EU has brought economic negatives as well, especially for newer members, including the Slovak Republic.

Share of renewables of the Slovak republic's final energy consumption (gross final energy consumption) reached 5.3 % in 2005 (Eurostat 2014), the commitment is set at 14 % of the gross final consumption for 2020. Regulatory Office for Network Industries published in its analysis on the promotion of renewable energy sources and high-efficiency cogeneration information regarding the original amount of the share of renewables in electricity generation at the level of 20.41% in 2013 (URSO 2014). Ultimately this "green progress" means more expensive electricity for customers in Slovakia through TPS component (tariff system operation). This amount levied to support coal operator, services of short-term electricity market operator, but above all to promote the use of renewable energy sources and combined electricity and heat generation was at level of 4.22 EUR/MWh in 2007, while reaching 19.82 EUR/MWh in 2014, with a negative impact on other government revenues (less the amount of dividends for distribution systems

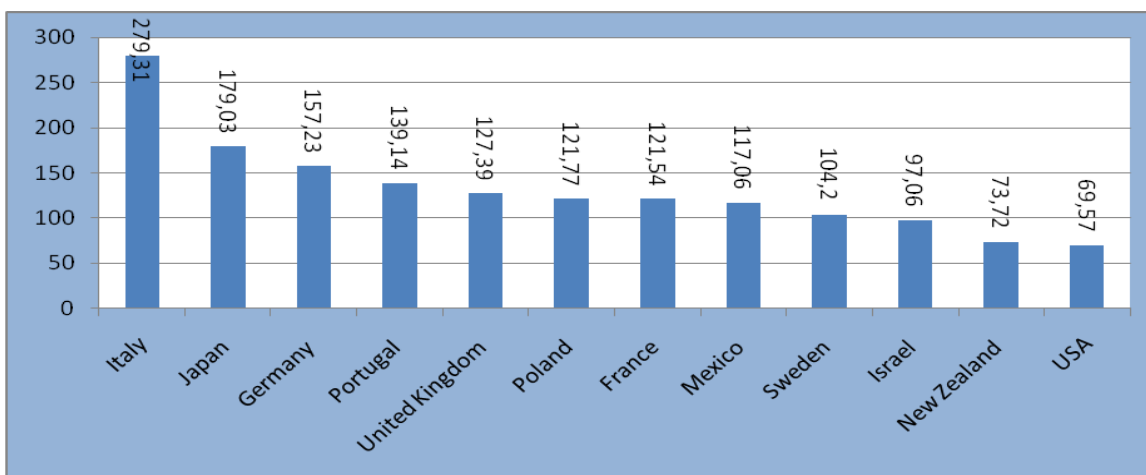
operators, in which the State has 51%-share through the National Property Fund). Specific impacts on Slovak companies had reflected in a sharp disagreement of B2B segment with raising electricity prices what had been sent in open letter to the Prime Minister, backed by numbers regarding substantial impact of more expensive electricity on selling prices.

Moreover, the stability of the transmission system in the Slovak republic is not increased by the promotion of these resources, but due to the nature of some sources (photovoltaic, small hydro, etc.) it is an action by SEPS and required by distribution site operators. Similarly, the negative response to less sufficient strategic and coherent support for these resources can be identified even in analytical conclusion of top research centres, which come to conclusions that the collapse of the distribution system is caused by a massive use of green sources. In contrast to German companies, which are in number 2000-3000 exempted from paying to promote renewable sources because of their impact on the competitiveness, in case of Slovakia, there are only a few such firms. Undoubtedly, this has an impact on the Slovak investment climate which is characterized by one of the highest electricity prices in the segment of small businesses and B2B.

2.2 Energy Efficiency and Directive 2012/27/EU

The implementation of the energy and climate package should secure the increase of energy efficiency of the EU through the use of the domestic resources potential – through renewable energy sources and energy efficiency measures, in addition to reducing the risk of a climate change which is already defined in the Stern Report. The aim of austerity is a better use of domestic and imported energy carriers, especially in public sector, industry and households. Adopted Directive (Directive of the European parliament and of the Council 2012/27/EU of 25 October 2012 on energy efficiency) provides a framework for Member States in the form of rules, commitments and goals in order to utilize the energy saving potential. A specific feature of this Directive, in comparison to the previous example, is to set specific commitment in the energy savings at level of 1.5 % of final energy consumption and responsibility for fulfilment of this commitment in energy savings in every Member States or to shift state responsibilities of energy savings to energy companies.

Graph 1 Electricity prices in selected countries (in EUR/MWh, industry, 2012)



Source: IEA (2012). Retrieved from: <http://www.yourenergyblog.com/how-much-is-the-rest-of-the-world-paying-for-electricity/>

Energy efficiency as a way to reduce energy import intensity on the old continent economy is rational and has its fundamental justification. EU strategy in this area is based primarily on the fact that high energy prices and low energy security, which escalated especially after the beginning of the Ukrainian crisis, has resulted in a decrease of the EU's competitiveness. This lower energy resistance and ultimately higher production costs are sensitive issues also for the foreign and potential investors, which are reflected in the FDI inflow statistics of the EU for the previous time period. According to recent analyses, EU is actually meeting its commitment to recede the share of energy inputs on GDP. The share decrease in industry with the intensity of consumption of electricity in average by 5.6 % and the decline represented 7 % regarding gas consumption for the period of 2008 till 2011 (European Commission 2014). Nevertheless, the cost of electricity in Slovakia remains primarily among the highest in the EU (mainly due to high network charges) and for foreign investor, general costs in other EU countries are not comparable.

Another key impulse in energy and climate measures for the economy of the SR was the date of 25 October 2012, when 2012/27/EU Directive on energy efficiency was adapted. It should be implemented in Member States by 5 June 2014. Within the Slovak legislation, this directive should be implemented through the Energy Efficiency Act, the Act on the promotion of energy efficiency and the energy Efficiency Action Plan. Directive imposes to reduce energy consumption of the Member States by 20%. For the Slovak economy, the specific commitment is in six key areas as follows:

1. Buildings renovation – to reduce energy consumption in minimum of 3 % of buildings with an area of over 500 m² (250 m² later).
2. Procurement by public entities - for contracts above 130 000 EUR to buy products matching the energy efficiency attributes.
3. Compulsory energy efficiency schemes – specifically, to set percentage of energy savings for energy companies (this should represent 1.5 % between 2014 and 2020 of energy sold to final customer during the period 2010 and 2012). Article 7 of the Directive on Energy Efficiency (2012/27/EU) obliged Member States to establish mandatory energy efficiency scheme, or if necessary alternative policy measures with the aim to achieve the end-users energy savings of at least 1.5% of the annual amount of energy sold to these consumers.
4. Energy audits and energy management systems.
5. Setting up individual, accurate gauges of energy consumption.
6. Consumer addressed information concerning particular history of consumption.

Massive impact of the implementation of the Directive will be concentrated mainly in relation to the point 3 – Energy savings in energy supply. The Ministry of Economy is facing alternatives by means of addressing the key part of the obligation – determined 1.5% of supplied energy in the previous period within the competence of energy suppliers in the Slovak energy market or take this commitment and indirectly motivate, stimulate energy companies through adequate instruments (including financial support instruments) with the aim to achieve the commitment of the Slovak Republic.

The original proposal of the Law on energy efficiency was in delegation of this legal obligation to energy companies. Sticking point would be the fact that through soft measures (consultation with customers, campaigns on energy efficiency), the

implementation of these hard measures (energy efficiency projects implemented on the platform of energy services certified by energy auditor) might be showed in the additional investment costs, which ultimately might translate to decline in sales of these energy companies. It has to be also considered, that ultimately this cost would have to pass on the prices of electricity and gas, which are already at a record levels and are a major determinant of the investment climate, as well as pricing policies of Slovak and European exporters regarding the third markets. (Some pessimistic forecasts of Slovak republic's energy suppliers predict the increase of electricity prices by about 30 %, if responsibility for energy savings is passed to energy companies through the way of compulsory scheme).

In case of maintaining compulsory scheme and keeping enforcement of legislative on energy efficiency at the Ministry of Economy level, this would have a substantial impact in the form of capital expenditure (CAPEX). The second alternative would be to fall short of the statutory savings, what would directly obliged entities to high penalties, which would likely achieve a level close to the amount of CAPEX. The decisive factor is the involvement of State in almost all major companies on the Slovak market with electricity and natural gas. The majority state participation on the supply-side is the ZSE a.s., SSE a.s., VSE a.s., SE Predaja.s. regarding electricity market and full ownership of the dominant supplier of commodity - natural gas is SPP a.s. Quantified impact not only on the competitiveness of businesses in the form OPEX, but also on the stability of public finances through the use of a part of profits on investments in "green" projects is listed in the following table:

Tab. 1 Impact of investments in "green" projects on public finance and OPEX

Subject	Market share in %	Supply in TWh	Compulsory savings in GWh at level (1,45%)	Compulsory savings in GWh at level (0,15%)	Profit for dividends in M€	Ownership Share of FNM	State Budget Reveues from dividends in M€	Capital Investments to projects EE (400€/MWh) at 1,45% in M€	Capital Investment to projects EE (400€/MWh) at 0,15% in M€	Decreased revenues to State Budget caused by increased invest. at 1,45%	Decreased revenues to State Budget caused by increased invest. at 0,15%
SSE	23,70	4,20	60,90	6,30	52,55	51%	26,80	24,36	2,52	14,38	25,52
ZSE	35,90	7,20	104,40	10,80	23,91	51%	12,19	41,76	4,32	-9,10	9,99
VSE	16,37	2,86	41,47	4,29	66,79	51%	34,06	16,59	1,72	25,61	33,19
SE predaj	11,62	2,10	30,45	3,15	1,00	34%	0,34	12,18	1,26	-3,80	-0,09
SPP	66,00	38,47	557,82	57,71	365,00	51%	186,15	223,13	23,08	72,36	174,38
							259,55	318,01	32,90	99,43	242,99

Source: Own calculation of the authors

Tabled impact quantification foresees a compulsory scheme for suppliers of electricity and natural gas. When we quantify a share of states in structures of individual subjects, it is necessary to emphasize that those data for the year 2012 are confirmed, from which the underlying implementation of the Directive is derived and which were published in the annual reports of the companies concerned. Slovenský plynárenský priemysel, a. s. as a supplier of natural gas went through shareholders transformation and now is in the state hands, what is disadvantage from the perspective of obligations resulting from the energy efficiency. Moreover, higher dividend at SPP could be not expected – as trader, what enhances the impacts of energy efficiency on this subject.

Relevant weighted average of dividend payments through state shareholding summary quantifies the benefits of the dividends of these five companies at nearly 260 million euro. Alternative implementation of the compulsory schemes for these operators is calculated in two scenarios - the mandatory energy savings at 1.45% and 0.15%, what is a figure not meeting the requirements of even the most optimistic fulfilment of commitment through horizontal measures and so-called "soft" measures of compulsory subjects. Energy efficiency projects (industrial lighting, street lighting, replacement of compressors, CHP units) require major investment, which would have a significant impact on reducing the mandatory profit entities with state participation. In optimistic scenario, these investments can be quantified in the first years of utilization (where are implemented projects with the greatest potential of energy savings) require an estimated 400 €/MWh. With this assumption, the product of energy savings would be drained at five reporting enterprises about 160 million euro only for state during the first year of utilization, nearly equivalent amount for the foreign shareholders (in case of a compulsory scheme at level of 1.45%). If only 0.15% mandatory scheme would be applicable, this would mean a loss in the form of lost profits at "only" about 17 million euro. Furthermore, this analysis abstracts from fixed expenses of obligated parties, as well as OPEX, which would be undoubtedly high in the early years of projects.

In addition to the argument of a clear loss of fiscal revenue through state dividends sacrificed in strategic energy companies, in favour of energy efficiency, it becomes clear through rational implementation of the so-called "alternative policies", which in this case means voluntary agreements of energy companies, as well as industrial companies on energy efficiency projects. Strategic state revenues from participation in these companies would be fundamentally less vulnerable, more planned and particular companies would be responsible for the realization of these savings that would finance them under operational programs, apart from the mentioned 5 companies. The worst option in this model appears infringement, which negative effects would probably not reach the rate of reduction of competitiveness and fiscal benefits. Another key argument in favour of voluntary agreements as an alternative to compulsory scheme is a fact that the model of energy efficiency projects originated in the context of the Directive is based primarily on the so-called Danish model of energy efficiency, which are not implementable in current not fully liberalized energy market of the SR. The Danish model of energy efficiency envisages the provision of advisory services to consumers directly from the energy supplier that provides a product of reduced energy consumption as a competitive advantage. Specifically, the customer pays the implemented solution by the value of the savings achieved by the proposed measures. Similar to this system, other models have been developed in other countries (France, Italy and others).

The Czech Republic took over the alternative of voluntary agreements by earlier implementation of the Directive, when in the study of impact of introduction a mandatory scheme was identified that shifting the obligation to distributors or retailer would achieve energy savings with a result of energy price increase for final consumers. Additional negatives identified by countries that had opted for voluntary agreements can also include high administrative costs to control the implementation of energy savings and the inability of states to regulate the negative impacts resulting from such an obligation. In the case of ill-considered implementation of the Directive in the specific Slovak energy market with elements of not fully transparent regulation, energy efficiency policies could lead to an inverse situation - deepening energy poverty of Slovak energy consumers.

Conclusion

Slovak energetics is under the influence of the EU energy strategy and under the influence of liberalization in a long term. It is committed to the implementation of the Directive in the field of energy and climate package, which certainly makes sense. The current commitment is in the area of energy efficiency, which creates a framework and commits Member States to action (Commission Directive 2012/27/EU on energy efficiency). As the Slovak market is characterized by one of the highest electricity prices for industry (without applying the exceptions, for example tariffs full payment - TPS), any further implementation similar to the promotion of renewable energy sources and high-efficiency cogeneration, which would bring significant elements of instability to Slovak energy market. From the above, the implementation must be strategic, with previously quantified impacts.

The basic alternatives of the Slovak republic regarding implementation of the above mentioned Directive are as follows: i) introduction of a compulsory scheme (with which first presented version the Energy Efficiency Act anticipated) and ii) accede to voluntary agreements and practical takeover of commitment by the state and active communication fulfilment of commitment by industrial customers, energy suppliers, owners of distribution systems, household and so on, are two basic alternatives of implementation of the Directive.

Based on not positive experience with implementation of incentives for renewables and the analysis presented above, better alternative for Slovak businesses is a way of voluntary agreements on energy savings, particularly in regard to their competitiveness, but also fiscal impact on the state budget, by means of state shareholding. The authors quantify this impact at about 160 million Euros in the form of lost dividends. This figure would be very likely much higher, mainly due to transition of shareholders of SPP and hence also the commitment to shift the largest part of energy savings on the state. Based on a European and international comparison of electricity prices as well, we may already conclude that the implementation of the directive will certainly not lead to reduction of the unit price. Nevertheless, the positive effects can be expected mainly in import intensity and, to some extent, also in the overall energy security.

Undoubtedly, it can be concluded that the alternative of voluntary agreements is acceptable in principle, as the mandatory scheme had been implemented in countries which do not match the level and structure of the energetics of the Slovak Republic. This option would potentially be subject to a broader discussion with representatives of the commercial sector since 2016.

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Impact of the Financial and Economic Crisis on Modification of the Strategies in Building Corporate Image of the Car Industry Companies Operating in Slovakia¹

Otília Zorkóciová² – Lenka Šprochová³

Abstract

Business environment is characteristic of changes, turbulences and a current financial and economic crisis (recession) currently referred to as the crisis of values. The crisis further deteriorates competition among companies on international markets, changes preferences of both, individual and corporate clients. There is also no difference in the automotive industry (AI) – one of the key sectors significantly affecting economic development in Slovakia (SR). Competition among passenger car producers is very high and therefore they try to distinguish themselves mainly by applying a different strategy in communication, design and other characteristics creating the phenomenon of Corporate Identity (CI) and thus to reach out potential customers. The purpose of this scientific paper is to reveal major trend changes in building international dimensions of their CI and the possibility of further development in the future based on findings of original research conducted by the authors. This is achieved through the perception of Corporate Image (CI_m) as a result of interaction of building up CI in all mutually interacting elements (CI mix) of the three main producers in Slovakia: Volkswagen (VW), PSA Peugeot Citroen (PSA) and Kia Motors Corporation (KMC).

Key words

corporate image, automobile industry, crisis

JEL Classification: F23, L20, L62

Introduction

Integration, interactivity, mutual communication, promotion and usage of creative intellectual human skills are phenomena that are becoming increasingly important. A key role in companies plays a man and the path to success starts in teamwork where energy and power of employees are not used for internal struggles, but the rivalry with competitors (Knapik, Zorkóciová, 2006). The solution for the journey towards the success of the company is becoming the optimal profiling of CI. AI - manufacture of passenger cars is currently in a paradoxical situation. On one hand, it is characterized by a strong current growth in sales of passenger cars, particularly in the markets of the BRIC countries and other emerging markets, but on the other hand, it faces a difficult situation in their

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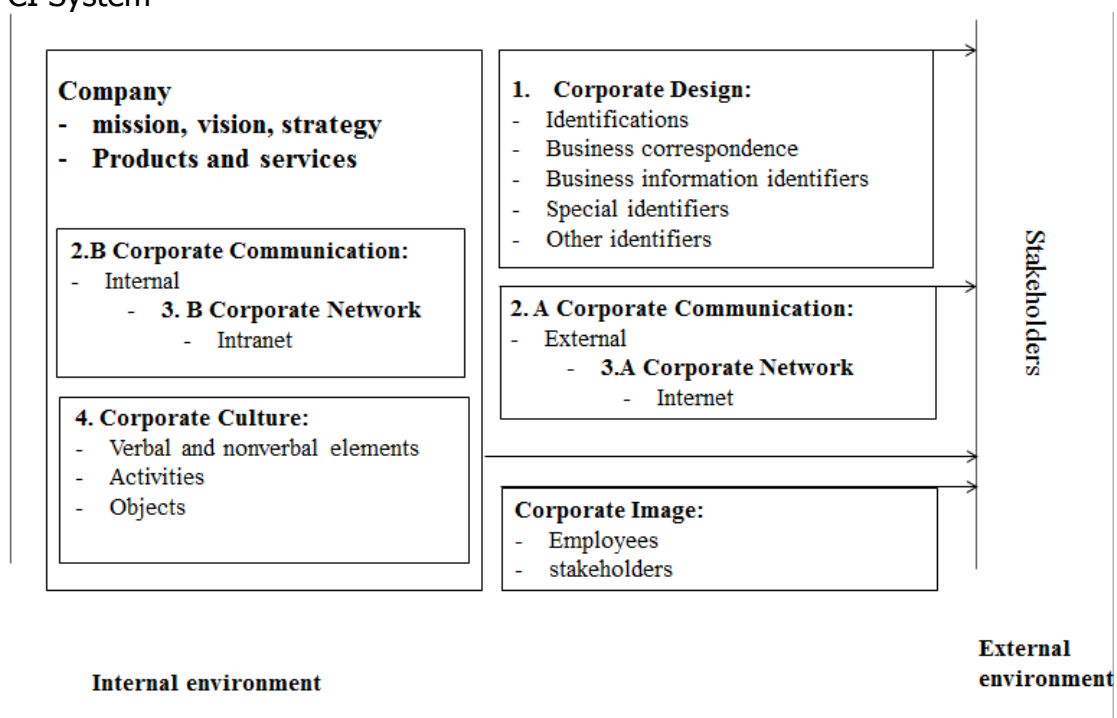
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former markets, especially in the EU (Kislingerová, 2009). AI development in the EU is affected by the current situation in the international business environment: while still persistent impacts of the economic crisis, which is known as recession. During this period, sales of passenger cars, such as durable goods in this market, have decreased. This trend is of course also reflected in their production that exactly follows the development of purchase of new passenger cars.

1 Methodology

CIm is from the point of CI view the result of mutually interacting elements: Corporate Design (CD), Corporate Communication (CCom), Corporate Net (CNet) and Corporate Culture (CC). CI system is shown in figure 1.

Fig. 1 CI System

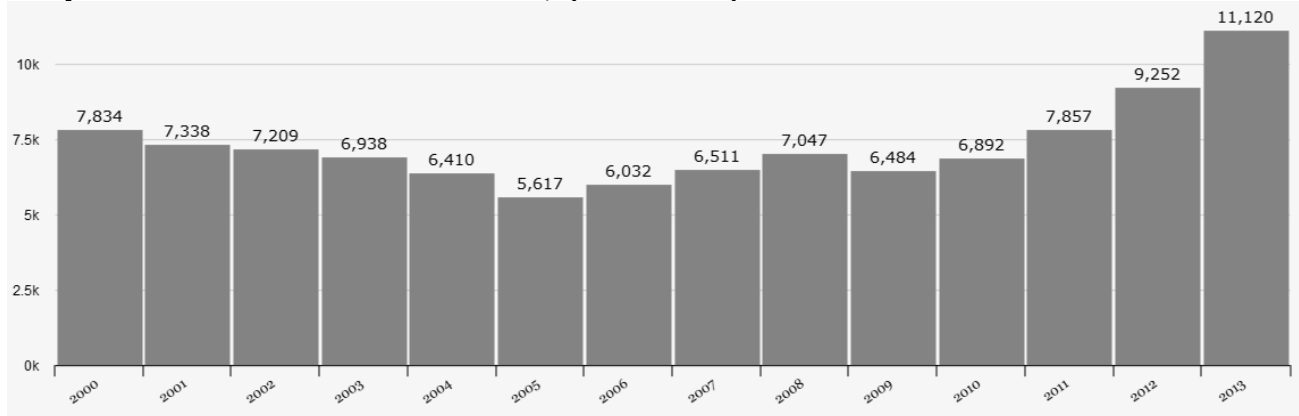


Source: own processing according to Vysekalová, Mikes, 2009

It is generally a certain clichés of various stakeholders in the company, through all expressions of a company from the visual external presentation through communication, from the behavior of the employees ending with the product itself, resp. offered services. The result of building up CIm are not only loyal customers, but also employees, suppliers and all stakeholders that come in interaction with the company (Bouchikhi, Kimberly, 2008). CIm efficiency can be assessed by various indexes based on assessment of the total value of the company. One of the recognized approaches is the assessment based on the ranking Top Brands which is compiled annually by a global consultancy company Interbrand (Top 100 Brands, nd). Global brands ranking is determined by the value of individual brands. Within the monitored three brands VW, PSA - Peugeot and KMC, only VW and Kia entered into ranking the top 100 brands in the recent years 2012, 2013. VW brand value grew from 2005. In 2009, the brand value stagnated mainly as a result of the economic crisis. In 2012, the brand VW was on place 39 with the increase by 18%

compared to 2011 and in 2013 place 34 increasing by 20%. Evolution of the VW brand value within the global brands is presented in graph 1.

Graph 1 The VW brand value in mil. \$ (2000-2013)



Source: Top 100 Brands, nd.

VW brand in 2013 ranked at 7th place in the ranking of the top "green brands" (+2.96%). VW is at Interbrand website characterized as one of innovative and sustainable automobile manufacturers. The aim to become the most profitable, fascinating and sustainable car manufacturer up to 2018, VW seeks to reach and is successful on the way. It is also about the integration of sustainability into their value chain, increasing the fuel efficiency of any new vehicle, the promotion of hybrid and electric vehicles; a commitment to build and own production facilities by 25% "greener" over the next six years (Top 100 Brands, nd). Within the Eurobrand ranking of top global brands in 2012, VW placed on the 36th place with a value of 18.48 million € (in 2011 it took 53rd place) and in the top European brands on the 8th place. (Top 50 Brands, nd). VW got also on the list of the most admired world brands where it reached the 36th place in 2013 (Most admired companies in the world, nd). Brand Kia reached the 87th place in Interbrand ranking of the top 100 global brands of the world for the first time in 2012 and in 2013 place 83. Interbrand characterizes the Kia brand as one of the world's fastest growing automotive brands in the last few years. It is one of the three car brands, which has increased sales in the U.S. in recent years and monitors the increasing demand in European market. Brand attracts young drivers through aligning with their lifestyle. (Top 100 Brands, nd). Within the ranking of the top "green brands" Kia reached the 37th place for the first time in 2013. Kia has not received any position in other rankings yet. PSA Peugeot with the Peugeot brand or the brand Citroën have not reached any ranking in the ratings during the given period. Collection of primary data was realized through the original survey conducted by authors carried out by the questionnaire method with using both, closed and open questions. Respondents rated the company according to their opinions how the company appears from the outside. Respondents were contacted through an Internet questionnaire sent out via Google docs. The survey was conducted in the period from 02/12/2013 to 03/05/2013. Randomly selected sample consisted of 500 respondents. In total, 218 respondents completed the questionnaire. The rate of return was 44%. In the implementation of the questionnaires we used the most advanced form of sharing sites and applications so called Quick Response (QR) code. (QR) code is a specific two dimensional bar code, and it forms a special arrangement of small (mostly) black and white squares.

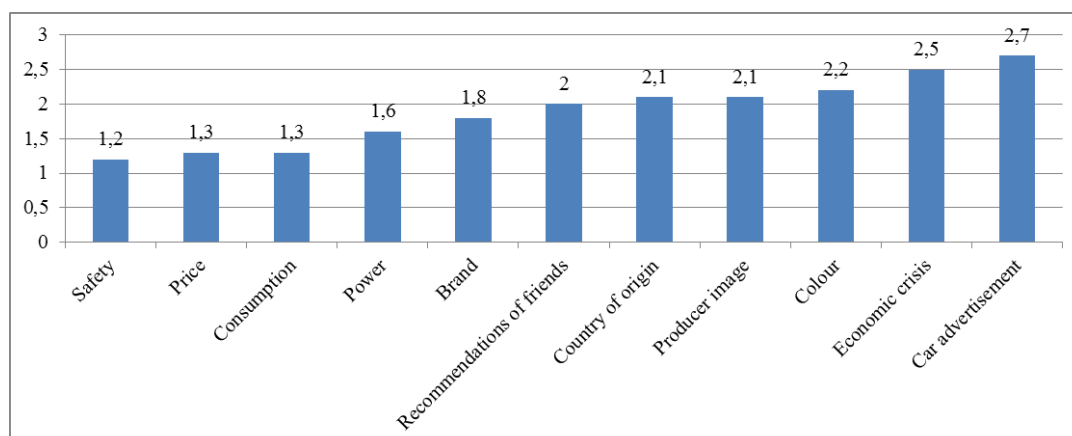
2 Results and Discussion

The evaluation of CIm of the three major producers of passenger cars in Slovakia we investigated, as already mentioned, through the method of questionnaire survey. Questionnaire was completed by 218 respondents in total. Out of all the respondents, 104 were women (48%) and 114 men (52%) in the age rank: 18-30 years (117 respondents - 54%), 31-45 years (59 respondents - 27%) and aged 46-70 years (42 respondents - 19%). The structure of respondents consisted of five unemployed respondents, 15 respondents employed in AI, 27 students and 171 persons employed in other industries except for AI. The intention of the questionnaire was to identify the perception of the individual CI elements of the selected car manufacturers in Slovakia and in this way to gain insights into building up their overall CIm as a part of CI.

To the question "*Which brand of a car do you think first of when talking about cars?*" nearly 23% of respondents answered the brand Skoda, VW brand 16.5% and 11% the BMW brand. Peugeot brand was said by nearly 6% of respondents; Kia was introduced almost 4% of respondents and Citroën less than 1% of respondents.

Customers perceive CD in AI in particular through the design of products – passenger cars, but in the context of a scientific paper do not stand in the center of attention. Product design - passenger cars is a very broad topic which is also largely subjective and a matter of taste and preferences of each individual consumer. Nevertheless, in the survey, we asked, due to the general perspective of CD of selected manufacturers VW, PSA and KMC, a more general question about the product selection criteria changing under the influence of the economic crisis. To the question "*How important are different characteristics of consumer products - cars when purchased*" the responses indicate that the most important criteria for the purchase of a passenger car for the consumer is its safety. In second place are price and consumption. Within the safety criteria, in total 77% of respondents confirmed it as the most important criterion. Within the criteria consumption as the most important criterion checked 72% of respondents and for price 71% of respondents. For the results please see graph 2.

Graph 2 Evaluation criteria for the purchase of passenger cars

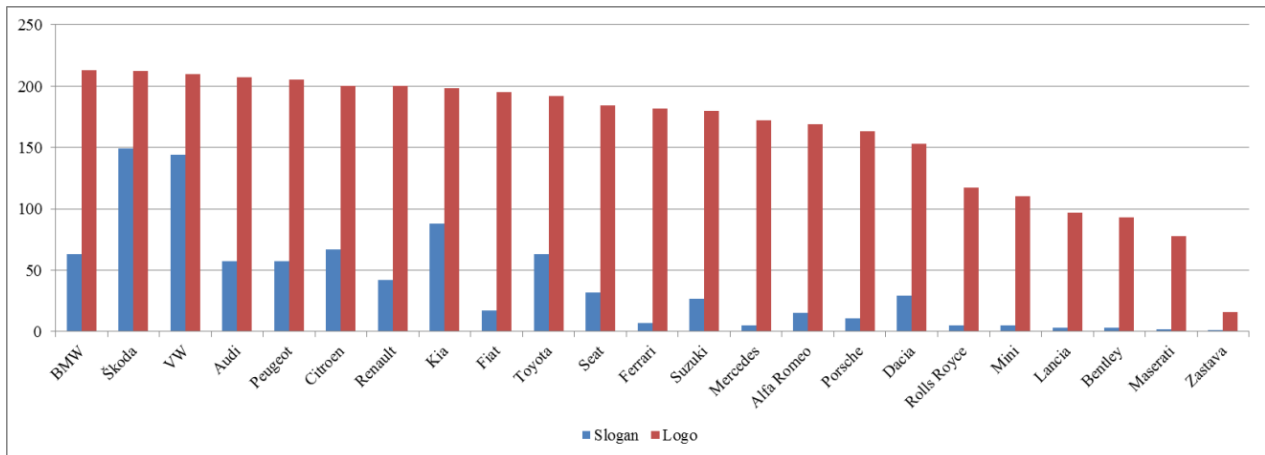


Source: own processing

In answering the question "*Which slogan of a car producer do you know?*" and "*Which logo of a car producer do you know?*" we can identify the effectiveness of marketing communication of the company, how the companies create logo easy to remember and to identify with, resp. slogan for the public. The most famous logo among Slovak consumers

and customers is a BMW logo, followed by Skoda and VW logo. Peugeot and Citroen take 5th and 6th place; the Kia logo was placed on 8th rang. As for the slogan, response rate was lower, which means that they remember more visual than verbal identifier. Within acquaintance of the slogan on the first three places are Skoda, VW and Kia. Citroën takes 4th and Peugeot 8th place.

Graph 3 Knowledge logo and slogan car brands of cars



Source: own processing

Companies attempt to build the CIM through various communication messages that should evoke in consumers positive associations at the mention of car producer, resp. his product. Within the positive associations with the brand pursued producers, for VW respondents identified the most association with the slogan - Das Auto (48), than referred to words: quality (31), the city of Bratislava (21), country Germany (21), the VW Golf (15) and VW Passat (9) and as many associations with the concept people's car (9) and Devínska Nová Ves (Bratislava district)(9). The term beetle wrote 8 respondents, but negative associations as stolen car was told by 6 respondents. Similarly, 6 respondents indicated the VW logo and positive perceptions and reliability, 5 respondents associated with VW Polo, 4 respondents defined VW as a secure and expensive car, 3 respondents associated VW as a luxury car and SR and 2 respondents with: Touareg, I want that vehicle, comfort, family, investors, employment and precision. The associations identified by one respondent were design, reliability, diesel, Tiguan, comfort, beetle, decent and tradition.

Most of the respondents see Peugeot in relation with France (64), Trnava (24) Lion (23) and a lower quality (19). Eight respondents associated with a car the model Peugeot 206, Peugeot 207 associates with: made in Slovakia and at the same time in the same number of respondents raises given brand association "scrap". Six respondents indicated attribute small and three associate with Peugeot models: 308, 307 and 207, 2 perceive these cars as stolen, resp. with terms as Paris, red, nice, 407, Citroën, design and feminine car. Always one respondent expressed: cheap, p-žo, average, cyan blue, clever, 208, comfortable, I do not want it, partner, 405, lion mouth, economic, ugly, shape, expensive, 306, dragon, fall, elegance, family, plastic, investor, 208, weakest automaker, image, high consumption, reliability, 607, 501, 406 and 106.

Most respondents perceived Kia as: made in Slovakia (55), Žilina (40), Korea (31), car model Ceed (15) and 7 years warranty (14). Seven respondents said the term: Rio and Sportage, Kia has six associates with the concept of quality and 5 respondents perceived it with attributes: cheap and Japanese. Three respondents ticked Asia and two respondents association: The Power to Surprise, "shit", design and poor quality. The following statements said one respondent: The Good, China, a large advertising campaign, home, way of life, the police, well, nice, big, "plastic", ferocity, model proceed, progress, suv, diameter, advertisements on the SR, super car, not safe, shape and investor.

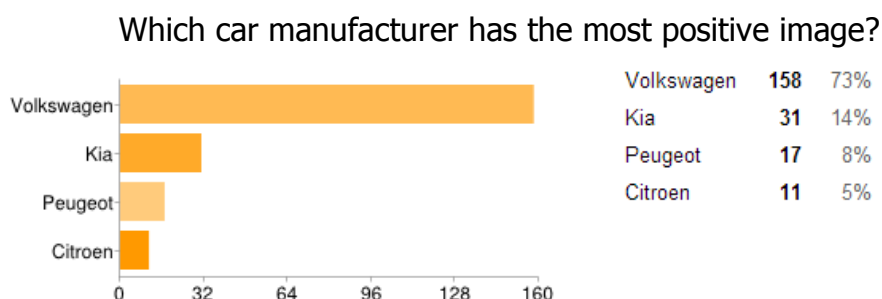
In the context of other topics from the questionnaire, respondents had to express their views on the characteristics of passenger cars, such as: innovation, product quality, attractive design, price affordability of products, positive image, family brand, to express their views on employee satisfaction in the company and also the impact of the economic crisis.

Chart 1 Assessment of selected evaluation criteria from questionnaire (rated with marks from 1 to 3, with 1 representing the best rating)

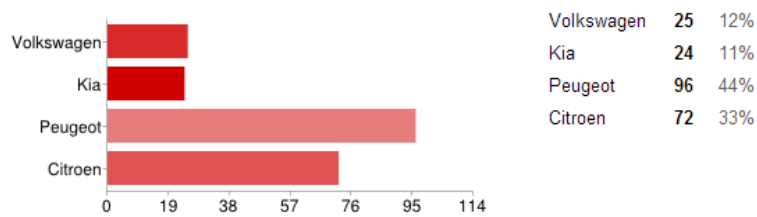
	VW	PSA	KMC
innovation	1	3	2
product quality	1	3	2
attractive design	1	2	3
price affordability of products	3	2	1
positive image	1	3	2
family brand	1	3	2
views on employee satisfaction	1	3	2
Total rank	1,3	2,27	2

Source: own processing

Graph 4 Evaluation of the replies to the questions about the image and impact of the economic crisis selected car manufacturers in Slovakia



Which car manufacturer is mostly affected by the impacts of the financial crisis?



Source: own processing

Opinions on the impact of the economic crisis, we investigated, was also reflected in following questions in which we asked respondents how they perceive the flexibility of selected producers of passenger cars in the context of their effectiveness to adapt to the effects of the economic crisis.

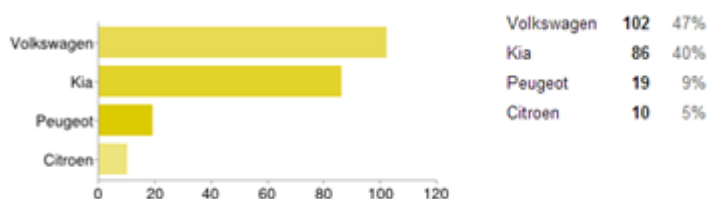
On the basis of the criteria set out in the questionnaire, we can evaluate the VW as a company that reached the most positive image and also in the eyes of consumers in Slovakia was the least affected by the economic crisis. Second place in building a positive image reached the KMC which is, according to the respondents, only in a small scale affected by the economic crisis and the least positive image in the ratings reached Peugeot.

During the evaluation of marketing communication, participants were asked the extent to which they are interested by advertisements of the car manufacturers. TV advertising was the one that most caught respondents, declared in a statement of 61% of respondents. Advertisement that interests respondents much is billboard advertising (71%) and journal advertisement (69%). Least compelling advertisements for cars, according to statements from the survey, are on social networks (72%), flyers in postboxes (71%), radio advertising (60%), advertising on the websites of manufacturers (51%) and advertising on other website than producers (49%).

In addition, the most visited website is VW website, followed by KMC website and within the manufacturer PSA followed the Peugeot website and Citroën took last place. From the visited websites, the respondents liked the most the pages of producers in the same order as we have declared by their visiting rate. The survey confirmed very little visiting rate on social networking sites of the car manufacturers.

Graph 5 Opinions about changes and impact of the economic crisis

Which car producer was the most effective in adaption to the effects of the economic crisis?

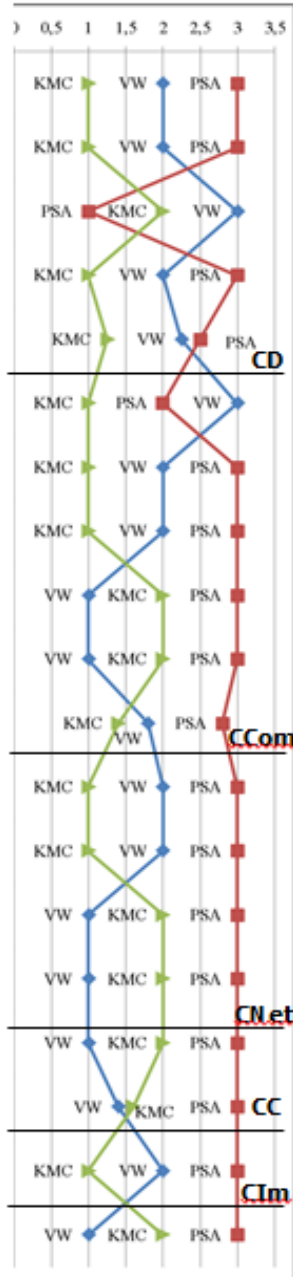


Source: own processing

As the above graph shows, respondents in their responses to this question agreed with the previous replies (which company was most affected by the economic crisis), indicating the order in terms of flexibility: VW, KMC as flexible and less flexible PSA against the effects of the crisis. The questionnaire survey was designed to obtain the total CIm of selected AI companies operating in Slovakia. The questions were mainly related to the characteristics that consumers perceive the most intense in the context of associations to brands, related elements for example knowledge of visual identifiers, opinions on products, their image, marketing communications in general and the perception of the implications of the current economic crisis on CIm as well as other elements of the CI.

Summary evaluation of the survey results:

Graph 6 CI Profile



Source: own proceedings

- Strongest brand awareness declared Slovak consumers in the context of brands Skoda, VW and BMW. While the Peugeot and Kia awareness did not reach 10% and the worst position in this regard took Citroën.
- When purchasing a passenger car during the current economic crisis, the most important criteria were: safety, price and consumption. The current economic crisis was also a criterion by respondents when buying a car that is taken into account, but ultimately, they have already committed to purchase this criterion did not affect their purchase as well as by criteria such as: advertising, color, image of the manufacturer's or recommendations of friends.
- In marketing communications respondents remember a logo rather than a slogan of a car producer. Car television advertisement is more interesting for respondents (61% of respondents). Least interesting media for car advertising are social networks (72% - of respondents).
- In the case of VW's first association with which respondents associate, is a slogan while the manufacturer of PSA is: producer in France and KMC is Slovakia. KMC is perceived as a domestic car made in Slovakia which significantly contributes to building up its positive CIm in Slovakia.
- The most positive image in the eyes of respondents reached VW (73%), with which respondents associated the concept of quality in 31 cases, and reliability, safety, comfort and family. Followed by KMC (14%) where respondents associate with association: 7 years warranty (14 cases), followed by quality, good quality-price ratio. The least positive image had PSA - Peugeot (8%) and Citroën (5%) where respondents associated them with lower quality (19 cases). It is interesting that even in the case of VW and PSA respondents had association with the characteristic: stolen, but in this case of VW this association did not have effects on his positive image.
- The effects of the economic crisis respondents checked mostly in the case of PSA (Peugeot 44% and Citroen 33%), lower values for this criterion achieved VW (12%) and KMC (11%).

In this scientific paper we focused, due to its limited prescribed format, only on CIm of selected passenger cars producers operating in Slovakia. However, the overall survey which was conducted within the project VEGA 1/1185/12 was focused on building a comprehensive evaluation of CI as a whole. Based on these results, we managed to create CI profiles of selected car manufacturers operating in Slovakia through individual elements of CI mix that is presented in the graph 6.

As the graph 6 shows, selected passenger cars manufacturers meet different conformity in uniformity of building CI of parent company and subsidiaries. In the CD area was as the most sophisticated manual honored the KMC and VW handbook, but which we found out, is not fully respected in the visual embodiment of authorized stores in Slovakia. So we can indicate a weakness of these two producers. PSA has on the other side detailed elaborated visual style of all stores that is respected only in visual style of stores. Other CD identifiers are not so unified with the common sophisticated style.

The economic crisis has affected the building of CI of selected companies and especially significantly KMC and PSA, who in this period changed the overall concept of CD.

In the CCom exceeds KMC, which adheres a very strict uniformed procedure for establishing communication across all types of media and communicates important information in advance than other manufacturers. VW provides information always up to date and is awarded in the field of marketing communication, which is associated in particular with its creativity. Economic crisis affected area of CCom in its external and internal sphere, while KMC and PSA changed their overall concept of marketing communication during the reporting period.

For CNet applies the visual consistency and information content of the manufacturer KMC. VW variably uses all forms of virtual environment for its presentation including: website, corporate intranet, and even social media. Since communication via social networks is one of the cheapest, the economic crisis has affected this area to increase in usage of virtual communication, although we must add that the car manufacturers still in the period of economic crisis for communication with the external environment use more the proven traditional media such as television and radio. Social media is more used for the needs of recruitment (VW) or internal communication (PSA) only KMC, we have seen the important impact on sales.

CC is element of CI that has been hit hardest by the crisis and for all monitored producers. The crisis effects were essentially: reduced offer of employees benefits in case of VW and layoffs, and in case of PSA the cessation of production, what affected employees rewards – salary level.

Conclusion

The aim of this scientific paper was to closely identify the building up of CIm as an integral CI element of leading passenger car producers operating in Slovakia by evaluating the results of an original research realized by authors focusing on the formation of CI and its individual elements.

CIm is the element of CI. On one hand very unpredictable (it's the environment that it forms and influences on the basis of the amount of incentives companies themselves), but on the other hand, significantly possible to influence through right targeting activities of

companies. CIm is already being formed at the first reference of the manufacturer and is built through a long period of time and via links with all other elements of CI. CIm is in AI in Slovakia in the case of VW associated with quality, reliability, safety, family - which also corresponds to the overall vision of the car manufacturer itself. PSA is perceived in relation to France, Trnava but also a lower quality. PSA in its strategic direction has no specific characteristics embodying quality that can evoke that this important attribute of success is not emphasized for PSA. KMC is associated with the concepts: Slovakia, Žilina, Korea, confirming that, in the minds of Slovak consumers, KMC cars are perceived as national cars made in Slovakia. This idea is expressed also in its fundamental company vision with maximum customer focus. VW and KMC based on data of the survey results achieved a positive image even in times of economic crisis. PSA, however, in the eyes of Slovak consumers, failed to maintain this level of CIm that was influenced also by the rumors of necessity to "rescue" PSA by the French Government and later the European Commission, what influenced the building of a positive image of the manufacturer. As already mentioned, all the elements of CI have significant impact on the overall CIm. Therefore, if we like to make an overall assessment of CI of AI companies in Slovakia, based on research carried, the strongest CI was built in VW, which in addition to the strengths in individual CI elements; it is applying a successful expansion strategy and trying to maximize the opportunities it has on the market. CI of KMC is not built on such a strong level as CI in VW, but we can see its efforts to gradually gain a stronger position and further future success. PSA was hit the strongest by the economic crisis, when losing its position, especially in markets of the southern Europe. Regarding to the success of building CI, PSA finished on the last rank also according to the survey resp. in individual criteria was evaluated most negatively.

The results of our research confirm what expert theory says, it is necessary to build and develop all elements of CI in a complex rather than focusing on just one resp. some of them. It is necessary to monitor and keep in mind all the information communicated to the public and optimally changed according to the public interest (customers). Important is to identify ways that can most optimally affect stakeholders while still appropriate as confirmed by research especially in the case of durable goods, use traditional media such as television and radio, and gradually promote them via new media - social networks that are labeled as the current period trends. Social media are nowadays perceived for this type of goods (passenger cars) as supporting media. Only gradual intensive, comprehensive, and in coordinated manner of building CI elements, companies can achieve their optimization towards the external as well as internal public and in this manner to build a stable market position and resistant on future shocks that brings for example financial and economic crisis. These conclusions were confirmed also by the results of authors' original research.

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