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Chapter I

ENTERPRISE SERVICE MANAGEMENT

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SME INNOVATIONS AND FINANCIAL DETERMINANTS OF THEIR DEVELOPMENT

Abstract

The article emphasizes the role of innovations for the competitiveness of enterprises and presents the scope of innovations of Polish small and medium enterprises. In edition, provides basic information on expenditures on investments and forms of financing. Then the equity gap is shown as the main barrier of the implementation of innovative projects.

Keywords: innovations, financing, micro, small and medium-sized enterprises

Introduction

The aim of the article is to evaluate financial factors, which determine development of SME's innovations. Innovative micro, small and medium-sized enterprises (MSME) face serious problems to meet their capital needs. The authoress discusses its principles, conditions of granting definite in law about some forms of supporting an innovative activity during last years. The main innovation barrier inculcated in MSMEs is a high cost of the implementation process and the capital gap.

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The method of research is to present the basic knowledge of economics theories about innovations of MSME and selected statistical data to suggest their innovative activities conditions in Poland.

The issue of innovation has been and still remains a key element of development considerations of Poland and European Union. In the report published in March 2010 – "Europe 2020 – A strategy for smart, sustainable and inclusive growth", which defined a new, long-term program for socio-economic development of the Union, replacing the Lisbon Strategy, the development based on knowledge and innovations is one of three key priorities. The ambitious objective of systematically improving conditions for research and development, leading to increased investments in R&D to 3% of gross domestic product is going to be achieved (GUS, 2010, p. 3).

The idea of innovations

A concise definition of innovation refers to: "successful production, assimilation and exploitation of novelty in the economic and social spheres" (*Innovation policy*, 2003), while a more complex definition describes: "the renewal and enlargement of the range of products and services and associated markets, the establishment of new methods of production, supply and distribution, the introduction of changes in management, work organization, and the working conditions and skills of the workforce" (*Green Paper on Innovation, 1995*). Publications of the OECD and Eurostat define an innovation as "the implementation of a new or significantly improved product (good or service) or process, a new marketing method or a new organizational method in business practices, workplace organization or external relations" (Szamańska, 2007, p. 81). Whereas innovation activities, composed of a number of scientific (research), technology, financial and commercial, which aim is to develop and implement new or significantly improved products and processes (*The OECD Bologna Ministerial Conference*, 2001, p. 14). According to *The Act of Some Forms of Support for Innovation Activities* – an innovative activity is defined as an activity related to the preparation and starting production of new or improved materials, products, facilities, services, processes or methods used for marketing or for the other use in practice (*Ustawa z dnia 29 lipca 2005 roku o niektórych formach wspierania działalności innowacyjnej*, art. 2, pkt 6). Economic innovation means enterprises' abilities and motivations in terms of the continuous search for, and practical use of the results of research and development studies, as well as new concepts, ideas and inventions. Innovation also means the improvement and development of existing production, exploitation and service technology, the introduction of new solutions into the organization and management of an enterprise, and the improvement and development of infrastructure, particularly if this concerns the gathering, processing and exchanging information (Ministry of Economy, 2006, p. 6).

The official definitions of innovation, quoted previously, are an extension of the classical approach to innovative companies by J.A. Schumpeter (1934), in the form of new products, new technologies, new markets, new organizations of production and sales (Noga, 2009, p. 148). J.A. Schumpeter (1960, p. 104) was a precursor of the theory of innovation in economic sciences. According to the Oslo Manual methodology, four types of innovation can be distinguished: technological product innovation, technological process innovation, organizational innovation, marketing innovation (Ministerstwo Rozwoju Regionalnego, 2007). In turn, according to P.F. Drucker "innovation is the specific instrument of entrepreneurship – an action which gives the resources the possibility to create wealth" (Drucker, 1992, p. 39). Innovation is the ability and motivation of enterprises to explore continuously research results, new concepts, ideas and inventions and to exploit them in practice (Kot, 2007, p. 11). However, due to financial limitations – it is often a long way to cover from *the occasion to accomplishment*. Both businessmen and other subjects can now take advantage of – many instruments to finance innovative projects (Portal Innowacji, 2008).

"Innovative enterprises in terms of product and process innovations are those which have introduced at least one product or process innovation: a new or significantly improved product or new or significantly improved process, which is a novelty, at least for the investigated company" (GUS, 2009, p. 1). In the broader sense, an innovative company is such a company that is able to create and absorb innovation, gets information on innovative solutions and is characterized by an ability to adapt continuously to changes in its environment (Bogdaniecko, 2004, p. 59). In turn, according to the Oslo methodology, an innovative company is called one which during an examined period (usually three years) has brought to market at least one technological innovation (a new or significantly improved product or new or significantly improved technological process) (GUS, 2008, p. 6).

Innovations of Polish enterprises and the improvement of enterprises' competitiveness

Innovation is fundamental, especially in crisis times, for stimulating the expansion of SMEs, either into existing or new markets. Despite the clear link between innovation and the growth of a country´s SME sector there is still a lot of catching up to be done by many Member States in this area (*Are EU SMEs recovering from the crisis?*, 2011, p. 31).

Polish companies have to build its competitive position on the world market based on innovation (Bogdan, 2009). Supporting innovation is a priority for the government. This is also a necessary condition for further economic development of Poland. The key actions in this area lie in the competence of the Ministry of Economy (Henclewska, 2009). For several years, the problem of low innovation of Polish enterprises, which is a major obstacle in improving their competitiveness, has been raised (Lamparska, 2005, p. 69). Innovation is the specific instrument of entrepreneurship, manifested in the continuous search for new combinations of production factors, is the driving force behind economic progress. So innovation is an operation focused on the implementation of the changes that lead to the growth and competitiveness of modern enterprises (Drucker, 1992, p. 39). Polish entrepreneurs rather unwillingly undertake cooperation in the scope of innovative activities with other units (Piekut, 2011, p. 87).

The ability of firms to create and implement innovative projects is now recognized as a major factor of their economic success (Cichowski, 2007, p. 831). Meanwhile, innovation of Polish small and medium-sized enterprises diverges from European standards. The CSO data shows that only about 16% of Polish companies of the SME sector can be considered innovative. By contrast, in European Union countries this ratio is about two times higher (Miś, 2007, p. 60). The similar range is also found in an innovative activity between large and small firms. In Poland, the innovation ratio of small enterprises in relation to the medium ones is 1:6 and compared to large ones is 1:15. Meanwhile, in the European Community countries the ratio of innovation of small and large enterprises is 1:2 (Plaskacz and Plaskacz, 2007, p. 30).

Poland is one of the moderate innovators with a below average performance. The performance of Innovation leaders is 20% or more above that of the EU27; of Innovation followers it is less than 20% above but more than 10% below that of the EU27; of Moderate innovators it is less than 10% below but more than 50%

below that of the EU27; and for Modest innovators it is below 50% that of the EU27 (*Are EU SMEs recovering from the crisis?*, 2011, p. 33). Relative strengths are in Human resources and Outputs. Relative weaknesses are in Open, excellent and attractive research systems, Linkages & entrepreneurship, Intellectual assets and Outputs. High growth is observed for PCT patent applications in societal challenges, Community designs and License and patent revenues from abroad. A relatively strong decline is observed for SMEs innovating in-house and Innovative SMEs collaborating with others. Growth performance in Intellectual assets and Outputs is above average. In the other dimensions it is below average (*Innovation Union Scoreboard 2010…*, 2011, p. 48). Simultaneously, entrepreneurship have also been a drive for improvement, in particular as a result from strong growth in S&E and SSH doctorate graduates (12,2%), public-private co-publications (20,6%), EPO patents (9,0%), Community Trademarks (11,1%) and Community Designs (27,3%). Performance in innovators and economic effects has worsened, in particular due to the decrease in new-to-market sales (–13,4%) (*European Innovation Scoreboard 2008…*, 2009, p. 39).

IMD's (International Institute for Management Development) report "World Competitiveness Yearbook" in 2010 evaluates the competitiveness of 58 countries, based on over 300 criteria. Factors taken into consideration in this evaluation include economic performance, public finance, fiscal policy, quality of business law, business efficiency (eg. innovation), infrastructure. In 2010 Poland for the second time, reported a big rise – from 44th to 32nd place. Among the EU-27 Poland was ahead of 11 countries (Piątkowska ed., 2010, p. 70). In the current report of the most competitive economies in the world Poland fell on 34th place. In 2011 year were evaluated 59 countries and 301 criteria were taken into account (*IMD World Competitiveness Yearbook*, 2011, p. 19).

The increased competition on the internal market did not affect significantly the interest of the SME businessmen to implement innovation and build the competitiveness of companies based on innovation. Strategies for these enterprises are still short-term, and the managerial staffs of SMEs do not still appreciate the importance of an innovation activity with its full meaning for the long-term performance of their enterprises. These innovations are now a necessary condition of competitiveness. So, small and medium-sized enterprises in Poland face a huge challenge. It is necessary to increase their activity both in the process of gaining and managing innovation (Steinerowska-Streb, 2008, p. 154).

Only 1% of small and medium-sized companies perceive innovation in their development strategies as a source of future competitive advantage (Ministerstwo Gospodarki, 2006, p. 49). As a result, Polish SME sector has a small innovative potential and even less research one (Steinerowska-Streb, 2008, p. 148). Currently, innovation of small and medium-sized enterprises decreases (Główny Urząd Statystyczny, 2007). Fewer and fewer subjects in this sector see the motive for innovative performance. As a result, SME's interest in cheap credits for innovative projects and funding investments in modern technologies is declining (Starczewska-Krzysztoszek, 2007, p. 18). Small businesses take part in the process of diffusion of innovation rather than in its creation. They participate in the dissemination of innovation consisting in its adaptation or imitation, without being initial innovators (Janasz ed., 2004, p. 61). Together with the strengthening and development of the reserves of enterprises in the analyzed areas, and the positive development of the external determinants of innovation, the level of their innovative activity will increase, because small businesses strongly feel the need to implement innovation, which is one of the most important elements of the innovative potential of enterprises (Kliszczak, Mierzwińska, Zych, 2008, p. 185).

The development of information technology has created limitless possibilities for data and information gathering and processing and considerably accelerated the development of information systems. Definitions of the technological competitiveness and technological entrepreneurship are now becoming increasingly popular. They express determination to achieve a better competitive advantage due to more rapid implementation of the technological solutions to business. The implementation of the latest technologies to production processes requires the continuous improvement of existing business processes and application of the new technological solutions. Such an action helps to achieve or maintain a leading competitive position (Winkler, 2008, p. 100).

Innovation performance is one of the key factors affecting growth in a country's economic well-being. Enterprises implementing innovation initiatives are much more profitable than those that fail to invest in innovation. Simultaneously, the increase in their income affects the wealth of citizens, improves their quality of life and provides access to new products and services. Furthermore, innovation initiatives decrease the unemployment rate, as modern economies that take advantage of the expansion stimulated by the application of new and innovative technologies create new jobs, these being related to the introduction of new types of service in the sector of production and consumption as broadly construed. A more innovative economy offers better development opportunities for the younger generation and therefore, prevents the emigration of highly-qualified workforce (Ministry of Economy, 2006, p. 16).

The planned technology foresight exercises might help in identifying the technologies and sectors of the future with the biggest innovation potential, and thus contribute to further concentration of the available public funding in areas of highest potential (European Commission Enterprise Directorate-General, 2009, p. 19). The implementation of innovative technologies that create the most important competitiveness factors leads to: cost reductions – up to 70%, the quality improvement – up to 25%, the increase in the flexibility of production – to 89,5%, product innovation – up to 100%, expansion of productivity – up to 64,7%, the improvement of the impact of external economic factors – to 44,4% (Chlebus, 2002, p. 5).

Leading enterprises on the Polish market for the most important sources of the competitive advantage in the sphere of production and technology recognized: purchase of new technology – 45%, technology transfer – 39%, the creation of research and development facilities – 39%, purchase a license or know-how – 36,5%, a change in methods of design processes – 18% (Grudzewski, Hejduk, 2004, p. 9).

Entrepreneurs find an opportunity to improve the competitive position in product innovation, better advertising and marketing, more efficient distribution network, better access to cheaper financing and credits. The implementation of the new technologies to the sphere of their business will contribute both to improved productivity and the perception of companies and products manufactured by them as modern, which meet ever-changing tastes of consumers. Measures taken to introduce the innovative technologies into the business of enterprises, consequently lead companies to empower their position on the market and stay ahead in the long term (Winkler, 2008, p. 101).

Since the Polish accession to the EU, the internal market competition has increased. The importance of innovation may be testified by the results of a study in the small and medium-sized enterprises in 2007. Its respondents reported that to be in competition with other, more innovative companies is one of the factors that could increase their activity in the field of innovation (Starczewska-Krzysztoszek, 2007, p. 44). Improving the competitiveness of businesses on the domestic markets in the first stage (and in subsequent stages too) should also contribute to the increase of their importance on the European markets and even the global ones. However, at present the key to success is the necessity for taking innovative measures or the implementation of these measures in various scope (Stanisławski, Maciaszczyk, 2008, pp. 195–196).

The financing of small and medium enterprises (SMEs) has attracted much attention in recent years and has become an important topic for economists and policymakers working on financial and economic development (Torre et al., 2010, p. 2280). This interest is driven in part by the fact that SMEs account for the majority of firms in an economy and represent a significant share of employment. Across 76 developed and developing countries. SMEs account, on average, for over 50% of manufacturing employment (Ayyagari, Beck, Demirgüç-Kunt, 2007, pp. 415–434). Furthermore, most large companies usually start as small enterprises, so the ability of SMEs to develop and invest becomes crucial to any economy wishing to prosper (Beck, Demirgüç-Kunt, 2006, pp. 2931–2943).

The research indicates that currently only a small part of Polish enterprises may be defined as innovative (Ministerstwo Gospodarki, 2006, p. 21). The primary reason for limiting the innovative activities of small and medium-sized enterprises is capital-intensive character of innovation process. The specificity of these kind investments, in particular the risk of the investment success and their unique character and difficulties in assessing the correct value of the project, increases the occurrence of the capital gap phenomenon (Świderska, 2008, pp. 27–29).

Sources of innovations financing and expenditures

Still the majority of innovations implemented by small and medium-sized enterprises are carried out with their own funds (Kata, 2007, p. 87). Only to a small extent these businesses use existing sources of external funding. As a result, opportunities for implementing innovation by a Polish SME sector are limited (Steinerowska-Streb, 2008, p. 154). A difficult access of this group of businesses to the external sources of funding makes innovative activity of Polish small and medium-sized enterprises is implemented, in most cases, from their own reserves (small enterprises 65%, medium 71%). Only few SMEs incurring innovative expenses benefit from other forms of financing (mainly bank credits – small enterprises 27%, and medium 19%). As a result, innovations introduced by the Polish small and medium-sized enterprises are mostly improvements rather than new technologies (Masternak-Janus, Kocańda, 2007, p. 159; Kubik, 2007, pp. 19–20).

Financial outlays on research and development are important, but still they are a small part of Polish SMEs innovative activities. However, comparing to years 2002–2004 the percentage of outlays on R&D in the structure of expenditures of industrial enterprises on innovation has increased. At that time, it amounted to 7% and in 2004–2006 – 8,9% on average in Poland. In 2006 enterprises financed the innovation process mainly from their own funds – in the group of small firms it was 51% expenditures from their own funds, 60% – among medium-sized ones and 86% for large ones. The second most important source of financing innovation was bank credits. Occasionally, SMEs financed innovations from other sources: from abroad, the state budget and venture capital funds (Polska Agencja Rozwoju Przedsiębiorczości, 2008, pp. 7–11, 13–17).

The main source of financing expenditures on innovation activities in years 2008 and 2009 were the means of their own businesses. In 2008 – 70,9% of all expenditures in industrial enterprises and 85,2% in service sector enterprises were own funds of those entities. In 2009, own funds of enterprises covered in industrial and services sector accordingly 68,4% and 84,2% of all expenditures on innovation activities. Considering the size of enterprises, the largest superiority share of own resources to the financing of innovative activity is observed in the large service companies (86,2%, with the participation of bank credit at 12,8%), while the smallest – in small industrial firms (46%, with the share of bank credits at 31,1%). It follows that access to external resources, as a determinant of innovative activity, is significantly more important for the smallest enterprises (GUS, 2010, p. 21).

Expenditures on innovation activities in the field of product and process innovation in the industry in 2009 reached 22,7 billion PLN, while in the service sector 8,3 billion PLN. This means decrease in expenditures compared to 2008, adequately 11% (from 25,4 billion PLN) and 34% (from 12,6 billion PLN). The total value of expenditures on research and development activities in 2009 increased by 15% to 9,1 billion PLN. The increase in resources allotted to research brought some improvement in the financing of R&D. The average ratio of expenditures on R&D in relation to GDP increased from 0,57% in 20077 to 0,67% in 2009, but this is only 1/3 of GERD/GDP (*Gross Domestic Expenditures on Research and Development Activity/Gross Domestic Product*) for the EU-27 countries, which reached 1,77% in 2007 and 2% in 2009 (Ministerstwo Gospodarki, 2011, pp. 8, 42).

Barriers to financing innovations

The problem of the development of innovative activity in the sector of small and medium-sized enterprises results from the equity capital gap, manifested by the shortage of funds for long-term investments. This gap is caused by imperfections of the market mechanism in the allocation of capital on innovative activity. In consequence, it becomes necessary for public authorities to intervene in order to eliminate the gap of expenditure on innovation by lowering the cost of investment. Fiscal and financial instruments serve it (Pełka, 2009, p. 218).

Clarity and severity of the capital gap occurrence, particularly in financing of innovative businesses, aroused public authority's interest. Realization of the government's pro-innovation policy was reflected in creating an index of financial institutions to support SME sector funded with public money (Ministerstwo Gospodarki, 2009). The innovation performance of Polish industry remains on a fairly low level, as expressed in Poland's having one of the Europe's lowest innovation indexes. Should this state continue for a longer period of time, it may result in a deteriorating competitive position of Polish enterprises in the future (Ministry of Economy, 2006, p. 18).

What is specific to the development of SMEs is a barrier to find enough means needed to finance ongoing operations and carry out innovative projects. The limited capital reserves affect disadvantageously the liquidity of small and medium-sized businesses and do not allow them to create the necessary scale of innovation (Kurowska, 2009, p. 204). Only – few companies from the MSME sector in recent years carried out projects involving the implementation of the new technology. The biggest problem in this area is the lack of adequate financial reserves. This is the limited financial potential that causes a low activity in the field of R&D operations (Głabiszewski, 2009, pp. 187–188). A limited access to the sources of external financial supply by SMEs carried out innovative projects, primarily, results from the high costs of implementing innovation, poor provision of own capital and the level of risk connected with the implementation of the projects at an early stage (Pawłowski, 2009, p. 205).

A contemporary company has at the disposal a wide range of sources and instruments to finance its business and development. Unfortunately, financial resources are more available for high-value projects implemented at the stage of expansion rather than for small firms implementing new technologies (Pawłowski, 2009, p. 210). The system of instruments supporting and stimulating the creation of companies based on new technological solutions is still insufficiently developed in Poland. Polish enterprises are not inclined to invest in highly-advanced technologies. The most significant barriers to the establishment of new companies based around modern technologies include the lack of access to national sources of financing PE/VC funds and the "capital gap", meaning the lack of investments in companies in the early stage of development (*The Polish Capital Investors Association: 2004*).

The most important factor limiting the innovative activity of small and medium-sized businesses is an economic factor. Entrepreneurs do not take innovation activity due to the lack of financial resources – such an opinion was expressed in the study of the CSO by 37% of the small innovative companies and 31% of the medium ones. A similar percentage of entrepreneurs – 36% of the small companies and 32% of the medium-sized ones – indicated the cost of innovation to be too high. The slightly smaller importance businesses attached to the limitations and difficulties associated with rising external funding for financing innovative activities – it related to 29% of the small firms and 26% of the medium ones (GUS, 2008, pp. 153–162).

Conclusions

Innovations are basis for building Polish SME's competitive position in the world market. The low level of SME's innovations is often a result of financial barriers. Most of them are financed by own capitals, but they are not sufficient. The lack of financial resources often impossible innovation. Insufficient offer from various financial institutions are worsening unfavorable conditions for conducting business innovation. Barriers to innovativeness occurring within the Polish companies, as well as their environment suggest the need for a properly oriented economic policy, especially pro-innovation, friendly to businesses seeking and implementing innovations.

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Chapter II

MARKETING MANAGEMENT

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SERVICE QUALITY AS A PROFIT STRATEGY IN MARKETING: THE SERVICE-PROFIT CHAIN MODEL

Abstract

Service quality in marketing of goods or services is getting more important day by day. Because competition in every sector is becoming more severe in a global world market. High service quality is one of the key elements to increase customer satisfaction and loyalty. At the same time it is one of the main factors in profitability, development, and sustainability of businesses. In this article, it is empasized the importance of service quality in customer satisfaction and loyalty. Service-profit chain model is examined. As the case study, some research findings from academical and managerial perspectives are summarized. And some proposals are made to promote high quality services as an important aspect of successful marketing management.

Keywords: Service quality, Service-Profit Chain Model, Customer satisfaction, Customer Loyalty

Introduction

Services marketing concepts and strategies have developed in response to the tremendous growth of service industries resulting in their increased importance of

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the world economies (Zeithaml and Bitner, 1996 cited in Bitner et al., 1997). As it is stated in the Memorandum of Understanding which has been signed between Gulf Organization for Industrial Consulting (GOIC) and the Geneva-based International Services Trade Information Agency (ISTIA) in Doha Qatar (2007) "In the new millennium, services are instrumental components of industrial activities; previously, services and industrial business activities were viewed as distinct and separate. The modern global economy views services and industrial activity as symbiotic and integrated for two principal reasons. Firstly, because businesses require efficient services sectors such as transportation and communications for domestic or import/export commercial operations. Secondly, modern business models no longer view companies as strictly services-only or industrial-only". Meanwhile, because of increasing of competition, especially after liberalisation of the economies and globalization, now more than ever, customers patronize the institutions that best serve their needs. The better the service, the greater the number of customers. The greater the number of customers, the better a company's financial performance. As many industry sectors mature, competitive advantage through high quality service is an increasingly important weapon in business survival. The tourism industry has certainly not been exempted from increased competition or rising consumer expectations of quality (Fen and Lian, 2010, p. 60). Service is a key component of value that drives any company's success. To the customer, value is the benefits received for the burdens endured – such as price, an inconvenient location, unfriendly employees, or an unattractive service facility. Quality service helps a company maximize benefits and minimize non-price burdens for its customers (Berry, Parasuraman and Zeithaml 1994 p. 32).

Quality and service quality

There are many researchers who have defined quality and service quality in different ways. A modern definition of quality derives from Juran's "fitness for intended use". This definition basically says that quality is "meeting or exceeding customer expectations" (SHSU, 2011). The British Standards Institute definition of quality, which is identical to the ISO and the EN standards, is "the totality of features and characteristics of a product or service that bear on its ability to satisfy a stated or implied needs" (Johnson and Winchell, 1988; Businessdictionary, 2012).

On the other hand, service quality is often conceptualised as the comparison of service expectations with actual performance perceptions (Zeithaml and Bitner, 2003). From this perspective, Mackay and Crompton (1990) as cited in Prabaharan, Arulraj and Rajagopal (2008) defined service quality as “the relationship between what customer’s desires from a service and what they perceive that they receive”. According to Chakrabarty, Whitten and Green (2007–2008, p. 3) service quality can be defined as the conformance to customer requirements in the delivery of a service. Service quality refers to a number of inter-related factors including the way in which individuals are treated by providers, the scope of services and contraceptives available to clients, the quality of the information provided to the clients and quality of the counseling skills, the promotion of individual choice, the technical competence of providers, and the accessibility and continuity of services (Erc.msh, 2010). Service quality is an intangible, but crucial, area of interest to travel service providers (Prabaharan, Arulraj and Rajagopal, 2008).

Increasing importance of service quality

Backman and Veldkamp (1995) as cited in Prabaharan, Arulraj and Rajagopal (2008) stated that quality of service is an essential factor involved in a service provider’s ability to attract more customers. The quality of a product or service is the main characteristic when it comes to selling. There are many and diversified factors that determine the success of the sale. They include market conditions, type of product/service, the image created by advertising, socio-cultural peculiarities of customers etc. But the major factor that ensures the marketability of a product/service is its quality as it was approved by the customers (Dragolea and Todoran, 2009). Delivering excellent service is a winning stategy. Quality service sustains customers’ confidence and is essential for a competitive advantage. Excellent service is a profit strategy because it results in more new customers, more business with existing customers, fewer lost customers, more insulation from price competition, and fewer mistakes requiring the reperformance of services. Excellent service can also be energizing because it requires the building of an organizational culture in which people are challenged to perform to their potential and are recognized and rewarded when they do. Service is a key component of value that drives any company’s success. To the customer, value is the benefits received for the burdens endured – such as price, an inconvenient location, unfriendly employees, or an unattractive service facility. Quality service helps a company maximize benefits and minimize non-price burdens for its customers (Berry, Parasuraman and Zeithaml, 1994). All businesses whose service depend on building long term relationship need to concentrate on maintaining customer's loyalty. In this respect, loyalty is greatly influenced by service quality. As such, hotels often invest in managing their relationships with customers and maintaining quality to ensure that customers whose loyalty is in the short term will continue to be loyal in the long term (Al-Rousan and Mohamed, 2010).

Quality is what makes the difference between a service and another, between one provider and another. Quality services can provide access to international markets; quality reduction may be compromising, is very expensive, and can be harmful and sometimes impossible to recover. A quality service brings immediate and lasting satisfaction to the clients, tourists and also to the provider (Dragolea and Todoran, 2009). Service quality has been shown to result in significant benefits, such as profit level increases, cost savings, and increased market share, to firms (Parasuraman, Zeithaml, and Berry, 1988). Competition through service quality enables the organization to develop a competitive edge without the loss of revenue (Carper, 1992 cited in Lashley and McGoldrick, 1994, p. 28). Simply stated, customer satisfaction is essential for corporate survival. Several studies have found that it costs about five times as much in time, money and resources to attract a new customer as it does to retain an existing customer (Naumann, 1995 cited in Pizam and Ellis, 1999, p. 326). Improved service quality results in greater customer satisfaction and loyalty, which, in turn, creates repeat business and opportunities to cross-sell, both of which are natural revenue enhancing activities (Harvey, 1995). Satisfaction of customers also happens to be the cheapest means of promotion (Pizam and Ellis, 1999 p. 326).

The components of service quality

As the world's largest service sector in tourism, service quality comprises 10 dimensions, namely core-tourism experience, information, hospitality, fairness of price, hygiene, amenities, value for money, logistics, food and security (Profit-strategies, 2010). Webster's marketing culture scale (1990) as cited in Luk (1997), this "service quality" dimension is composed of eight values:

- a succinct definition of excellent service,

– strong commitment to quality service of top management,
– systematic, regular measurement and monitoring of employees' performance,
– clear focus on customer needs,
– a strong linkage between employees' behaviour and the firm's image,
– the desire to meeting the firm's expectations on quality service,
– emphasis on communication skills,
– employees' attention to detail in their work.

In their study, Berry, Parasuraman and Zeithaml (1994) focus on the question of what could organizations do to improve service quality? And their answer is presenting lessons learned that we believe are essential for improving service quality. These lessons in headlines are **Listening**, **Reliability**, **Basic Service**, **Service Design**, **Surprising Customers**, **Fair Play**, **Teamwork**, **Employee Research**, **Servant Leadership**. Berry, Parasuraman and Zeithaml (1994) have constructed in Fig. 1 a service quality ring to capture these interrelationships. Listening is positioned on the outer ring because listening has an impact on all the other lessons. Identifying the basics of service, improving service system design, recovering from service shortfalls – these and other essentials of service quality involve listening behavior. Reliability is pictured in the center, because reliability

Fig. 1. A Service Quality Ring

Source: Berry, Parasuraman and Zeithaml (1994). Improving Service Quality in America: Lessons learned. *Academy of Management Executive*. Vol. 8. No. 2, p. 43.

is the core of service quality. Little else matters to customers when the service is unreliable.

The link among service quality, customer satisfaction and customer loyalty

Customer satisfaction is critical to any business. A happy customer is likely to give repeat business, provide word-of-mouth advertising, send referrals, and pay for services without dispute or delay. Anything one can do to improve customer satisfaction will pay dividends to the business in both the short and long term (Profitstrategies, 2010). Liljander and Strandvik (1994) cited in Storbacka, Strandvik and Grönroos (1994) have suggested that perceived service quality can be seen as an outsider perspective, a cognitive judgment of a service. It needs not even be experienced, it can be based on knowledge about a service provider through word-of-mouth or advertising. It is, however, usually also based on experiences with the service. Customer's own experiences of a service where the outcome has been evaluated in terms of what value was received, in other words what the customer had to give to get something.

For a service-based business the "sale" is the service performed, which means making sure the service provided is to the customer's liking. According to a recent Pricewaterhouse-Coopers (2010) "Trendsetter Barometer", four-fifths of America's fastest growing companies have initiated important new programs aimed at customer expansion, customer retention, and customer profitability. A significant percentage of these are service-based businesses. The attitude, appearance, skill and professionalism of service staff is a vital element in effective service delivery. Therefore, the manner in which service industries recruit, train and manage their staff has a direct impact on customer satisfaction (Fuller, Hanlan and Wilde, 2006).

Many studies have investigated the relationship between service quality and customer loyalty. Shoemaker and Lewis (1999) argue that customer loyalty is built by focussing on three concepts: the overall service process, the use of effective database management and value creation either through added value or value recovery. Relationship marketing is widely accepted as the most successful way to build customer loyalty and competitive advantage in a mature, competitive market (Hotel Mule, 2010). Improved service quality results in greater customer satisfaction and loyalty, which, in turn, creates repeat business and opportunities to cross-sell, both of which are natural revenue enhancing activities. This is quite the opposite of continually raising fees or cutting costs across the board (Harvey, 1995). The basic assumption is that customer satisfaction drives profitability (Grönroos, 1990 cited in Storbacka, Strandvik and Grönroos, 1994). The assumption is based on the idea that by improving the quality of the provider's service, customers' satisfaction is improved. A satisfied customer creates a strong relationship with the provider and this leads to relationship longevity (or customer retention – customer loyalty). Retention again generates steady revenues and by adding the revenues over time customer relationship profitability is improved. Thus the firm can utilize potential customer relationship economic opportunities in a favourable way (Storbacka, Strandvik and Grönroos, 1994, p. 23).

The service-profit chain model

The service-profit chain is a powerful phenomenon that stresses the importance of people – both employees and customers – and how linking them can leverage corporate performance. The service-profit chain is an equation that establishes the relationship between corporate policies, employee satisfaction, value creation, customer loyalty, and profitability (Fig. 2).

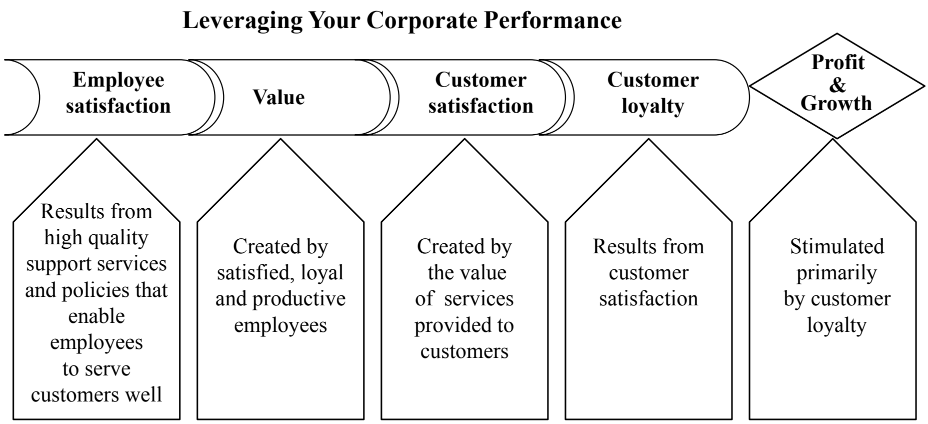

Fig. 2. Service profit chain; linking employees and customers

Source: 1000 ventures (2011). *What is Service-Profit Chain?* (online). Available at: www.1000ventures.com/products/bec_mc_market_leaders.html (accessed on 10.12.2011).

Marriott who was the founder of the homonymous American hotel chain stated “you can’t make happy guests with unhappy employees” who promoted the role of empowernment in driving customer satisfaction. Satisfied employees stay with the company for longer and therefore give a much better return on any investment (recruitment; training; pay-rises; package of benefits) put into them. The higher rate of return may stem from a prolonged use of company specific tacit knowledge that gets lost when employees leave the organization, and from the increased trust that customers will put in the organization if a stable staff represents it (Xu and Goedegebuure, 2005 pp. 56–57).

According to Heskett et al. (2008) the service profit chain establishes relationships between profitability, customer loyalty, and employee satisfaction, loyalty, and productivity. The links in the chain (which should be regarded as propositions) are as follows: Profit and growth are stimulated primarily by customer loyalty. Loyalty is a direct result of customer satisfaction. Satisfaction is largely influenced by the value of services provided to customers. Value is created by satisfied, loyal, and productive employees. Employee satisfaction, in turn, results primarily from high-quality support services and policies that enable employees to deliver results to customers (Fig. 3).

The overall objective of the service profit chain is to link initiatives of retention, referrals and related sales with the other links within the chain. These include satisfaction, loyalty, value and long-term growth (Maritz, 2005, p. 150).

Lashley and McGoldrick (1994) ideas developed and expressed in their article originate from their recognition that an increasing number of firms are considering employee empowerment as part of their human resource strategy for competitive advantage through hospitality service quality. Unlike the quality of a product, it is more difficult to define, to judge or express in quantitative terms, the quality of services is more as the service has little physical dimensions such as performance, operational characteristics and maintenance costs, which could be used to comparison or measurement. The human element in the production and consumption of services prevents the service provider from standardising production outcomes as is possible in a manufacturing environment. This lack of standardisation further increases the importance of service delivery processes and effective people management as integral elements of the marketing mix (Fuller, Hanlan and Wilde, 2006).

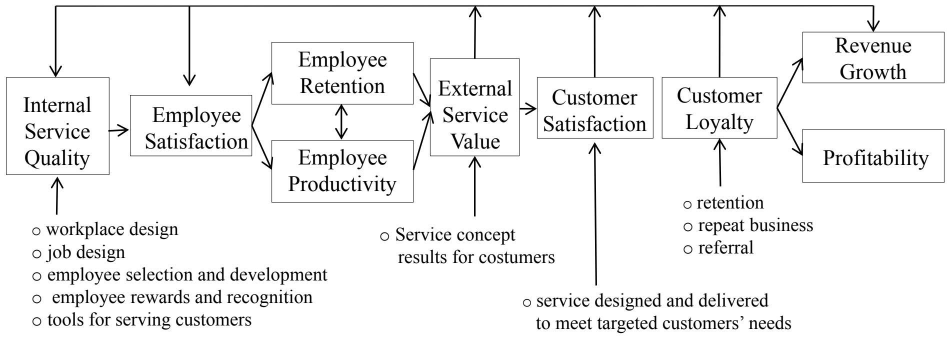

Fig. 3. The links in the service-profit chain

Source: Heskett, James et al. (2008). Putting the Service-Profit Chain to Work, *Harvard Business Review*, July–August 2008 – hbr.org p. 120.

Research findings from academical and managerial perspectives

Several studies involving empirical analysis of some of the links in the service-profit chain have been undertaken. For example, In his study Maritz (2005) found that, despite a few associations being inadequate within the defined franchise system, service profit chain initiatives were positively associated with service quality.

As a result of their surveys Heskett et all (2008) conclude that a growing number of companies that includes Banc One, Intuit, Southwest Airlines, ServiceMaster, USAA, Taco Bell, and MCI know that when they make employees and customers paramount, a radical shift occurs in the way they manage and measure success. The new economics of service requires innovative measurement techniques. These techniques calibrate the impact of employee satisfaction, loyalty, and productivity on the value of products and services delivered so that managers can build customer satisfaction and loyalty and assess the corresponding impact on profitability and growth. In fact, the lifetime value of a loyal customer can be astronomical, especially when referrals are added to the economics of customer retention and repeat purchases of related products. For example, the lifetime revenue stream from a loyal pizza eater can be $ 8,000, a Cadillac owner $ 332,000, and a corporate purchaser of commercial aircraft literally billions of dollars.

Furthermore Heskett, Sasser, and Wheeler (2008) add that highly successful companies like Bouygues Telecom in France (the third largest in its markets in 2008 within ten years since its founding) and ING DIRECT (the 17th largest bank in the U.S. in 2008 after just seven years) have been created since then, based on service-profit chain (SPC) relationships. Others, such as Rackspace Hosting (engaged in Web site design and management), Westpac (one of Australia's leading banks), CEMEX (one of the world's largest cement companies, based in Mexico), Harrah's Entertainment (a leader in branded casino entertainment, based in Reno, Nevada), and Baptist Health Care (a not-for-profit health care organization centered in northwest Florida and southern Alabama), have been revitalized through actions suggested by SPC relationships. Other companies, such as Circuit City, provide examples of what happens when organizations manage themselves into a "doom loop" of negative SPC relationships. In March 2007, Circuit City announced that it would replace 3,400 of its more experienced, higher-paid salespeople with new, lower-paid hires. In so doing, it damaged customer satisfaction and ultimately suffered the financial consequences.

ROI resource Center (2013) indicates that, the service-profit chain stresses the importance of people – both employees and customers – and how linking them can leverage corporate performance. This circular relationship between employees, customers and shareholders contributed to the well known Sear's model in the mid-90: a 5% increase in employee attitude leads to a 1.3% increase in customer satisfaction which leads to a 0.5% increase in revenue growth. Led by CEO Arthur Martinez, a group of more than 100 top level Sears executives spent the better part of three years rebuilding the company around its customers and in the process changed its culture. The company tracked success from management behaviour through employee attitudes to customer satisfaction and financial performance.

In their survey, based on the case study of a UK home improvement store chain, measuring of each of the variables in the service profit chain Pritchard and Silvestro (2005) found that although analysis of the performance relationships revealed many interesting correlations, the data lent little support for some of the expected linkages; in particular, the "satisfaction mirror" effect between employee and customer satisfaction and loyalty, and the link between customer loyalty and financial performance. The possible asymmetries and non-linearity of certain performance relationships may also have added to the difficulty in applying the model to this organisation. Furthermore, the study revealed many performance linkages between variables which are not aligned in the service profit chain model.

Reichheld and Sasser Jr. (1990) observed that Charles Cawley, president of MBNA America, a Delaware-based credit card company, knows well how customer defections can focus a company's attention on exactly the things customers value. Frustrated by letters from unhappy customers, he assembled all 300 MBNA employees and announced his determination that the company satisfy and keep each and every customer. The company started gathering feedback from defecting customers. And it acted on the information, adjusting products and processes regularly. As quality improved, fewer customers had reason to leave. Eight years later, MBNA's defection rate is one of the lowest in its industry. Some 5% of its customers leave each year – half the average rate for the rest of the industry. That may seem like a small difference, but it translates into huge earnings. Without making any acquisitions, MBNA's industry ranking went from 38 to 4, and profits have increased sixteenfold within eight years.

In their survey, realized with *Orange Mobile* call center employees and subscribers, Al-Tamimi, Hasoneh and Rezqallah (2009) reached the following conclusion:

A 1 degree increase in call center employees' satisfaction represents approximately a 5% increase in achieving the company a competitive advantage among its competitors, which is sequenced as the following:

- a 1 degree increase in call center employees' satisfaction represents approximately a 23% increase in customers experience and about 37% in customers' satisfaction,
- such increase in customers experience and satisfaction represents nearly 17% increase in their advocacy,
- such increase in customer's advocacy represents approximately a 8% increase in their loyalty to the brand,
- such increase in brand loyalty represents almost a 5% increase in achieving the company a competitive advantage among its competitors.

Finally, this research presented various recommendations that are applied to *Orange Mobile* top management; call center management and for further studies to be conducted.

The most important recommendations are:

- to adopt a philosophy of "putting people first" that applies to employees and customers, and this philosophy shall be reflected in the organization mission,

- to develop and maintain a corporate culture that is employee – customer centric,
- to adopt a comprehensive strategy aiming to achieve a competitive advantage among competitors through linking employees, customers and the financial performance of the organization.

In the case study concentrated on Health & Safety training of First Aid and CPR (cardiopulmonary resuscitation) courses, Pasupathy (2006) found that for each unit of increase in service quality, the level of satisfaction would increase by 0.69, the latent Brand Recognition will influence satisfaction by 0.22 while the perception of branch availability will influence the evaluation of level of satisfaction by 0.16, and so forth.

A study conducted by Stodnick (2005) reflecting a service profit chain perspective, realized in one large retail chain within the women's specialty apparel industry. The study shows that employee satisfaction and loyalty can be increased by creating a positive internal working environment. Rather than reducing front-line service jobs to mundane, repetitive tasks, organizations can achieve competitive advantage by broadening job descriptions and developing their employees through commitment enhancing human resource practices. The best way to increase customer satisfaction is to provide a superior total retail experience. As previous research has indicated, customers who are extremely satisfied with their retail experience are less likely to search for alternatives decreasing the firm's overall cost of serving their customer base, increasing store profitability. Moreover, satisfied and loyal customers are more likely to recommend the store to others and purchase secondary, ancillary products, increasing market share.

Xu and Goedegebuure (2005) showed in their survey made among Chinese securities firms, employee satisfaction is positively correlated with customer satisfaction. Employee satisfaction and customer satisfaction have a positive impact on profitability. Customers perceive the positive energy and the willingness of satisfied employees to provide good services in terms of higher quality of services received. In turn, they become more satisfied and loyal to the company.

A reseach was conducted in the service industry of Hong Kong by Yee (2007). The results showed that the relationships among employee satisfaction, service quality, customer satisfaction, and firm profitability are significant, suggesting that employee satisfaction is an important determinant of operational performance in service organizations.

Conclusions

The ultimate goals of any business are to generate profit, to increase market share, and to be in the market for years. Customer satisfaction and loyalty are critical to succeed these goals. Exellent service quality is one of the key elements for customer satisfaction and loyalty. A happy customer is likely to give you repeat business, provide you word-of-mouth advertising, send you referrals. On the other hand, the achievement of service excellence and productivity standards is ensured by integrated and comprehensive human resource management practices, including effective recruitment techniques; training and development programmes; appraisals, incentive and reward schemes, job enlargement and other employee satisfaction systems. Effective human resource management practices are crucial to the achievement of service quality standards, productivity improvements, and thus profitability in businesses.

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SOLUTIONS OF MARKETING COMMUNICATIONS IN NEW ECONOMY

Abstract

This article shows the meaning a new technologies in the activity of new economy enterprises, especially in the marketing area. The use of modern techniques of information transmission and information extraction paves the way for development of marketing communications. The Internet is the first medium that allows such advanced dialog between the firm and the clients, and consequently – building lasting relationships with them.

The main tools used in the communication process include: easily editable electronic documents, multimedia, computer networks, which allow the use of electronic mail, video conferencing, web pages, newsgroups and the Internet.

Keywords: new economy, marketing communications, Internet

The extraordinary progress in information transfer techniques and technologies as well as globalization are the two phenomena and forces, which are at the root of the changes in all areas of life in the 21st century. Information issues are at the centre of attention. The New Economy is characterized by the role of information, the dynamically developing information technologies as well as the globalization processes.

For several years there has been a web civilization or an information civilization and the new economy is an economy created by this civilization. The development of that civilization is defined by advanced technique and technology, especially transmission of information. Network economy creates new opportunities and development opportunities on an unprecedented scale, including those related to marketing communications. The use of modern techniques of information transmission and information extraction paves the way for development of marketing communications. The Internet is the first medium that allows such advanced dialog between the firm and the clients, and consequently – building lasting relationships with them.

The main tools used in the communication process include: easily editable electronic documents, multimedia, computer networks, which allow the use of electronic mail, video conferencing, web pages, newsgroups and the Internet.

Characteristics of marketing communications

A company that wants to be a winner in the market has to create its marketing strategies well, and in order to do this it must have access to information and know how to use it in an effective and appropriate way. Therefore, a company should have a marketing information system. A marketing information system is a coordinated team of people, procedures, activities and tools, especially computer systems for the production, storage and use of data to ensure the orderly flow of timely and relevant information from internal and external sources, necessary to make marketing decisions (Sztucki, 1998). Using the Internet is particularly noteworthy in marketing communications, which in the literature of the subject is referred to as the exchange of information between the company and its environment, that carries out a marketing strategy defined by the company. In contrast to the promotion, where the stream of information flows mainly from the company to the buyer, marketing communications involves the free flow of information both ways, so it is a broader concept than the concept of promotion in its classical version (Szymoniuk, 2006, p. 15).

If economy is changing, marketing communications is also subject to changes. A few key areas can be identified where significant changes in marketing communications are seen (Kowalski, 2011, p. 502):

1. New media and means of information exchange are increasingly used, such as the Internet, digital telephony, digital TV. As the technology develops, there is the convergence of electronic communication services.
2. Forms of communication and exchange of information related to new media such as Internet advertising, e-mail, discussion forums, price comparison services, social networking services, web services with experts' and consumers' opinions, which partly replace traditional forms of promotion become more and more important.
3. Diversity and complexity of marketing communication tools make integration of instruments and promotional activities an essential feature of modern marketing communications.
4. Marketing communications becomes bi-directional, becomes a real dialog, exchange of information between the sender and the recipient. Even in the marketing messages broadcast in traditional media like television, radio, press or outdoor advertising, there is information that more and more often points to specific Internet addresses. And there, in addition to getting familiar with the details of the offer, you can make direct and permanent contact with the consumer, if you persuade him or her to leave their contact details. Establishing individual and permanent contact allows you to take appropriate actions that lead the consumer to desirable, from the sender's point of view, responses.
5. Individuality of the offer. Digital television and radio stations or those broadcast in the Internet can more and more precisely specify the scope of the subject matter presented, thereby limiting and further defining the audience, and obtaining a specific target group for marketing activities. Marketing specialists also increasingly penetrate social networking services and discussion forums, seeking a potential target group with a relatively low cost of reaching.
6. Marketing messages must also take into account the fact that they are directed to more and more educated consumers. The consequence of this is that consumers have opportunities and can search for sources of verification of the information presented to them, and share their thoughts with others. This forces the creators and broadcasters of marketing messages to look for new and effective mechanisms to influence customers. The dialog between broadcasters of marketing contents – businesses, institutions, non-governmental organizations and advertising agencies acting on their

behalf and recipients of the contents – consumers is gradually changing its character. Broadcasters must remember that they are beginning to talk with the consumer, whose essential characteristic is knowledge and the ability to use it in a pragmatic manner. Modern marketing message must therefore take into account the fact that the recipient is a consumer you can obviously influence referring to his/her feelings, but when we want to refer to his/her rationalism, this increase of consumers' knowledge and their skills to use it should be taken into account.

7. Growing importance of brands in communication with the market should be also paid attention to. Due to the fact that information is a fundamental good in information society, an intangible asset which is an original, unique, protected and distinguished from other offers composition of a verbal name and a nonverbal layout becomes an important factor of competitiveness.

Technologies used in marketing communication

In recent years, marketing communication environment has experienced two major changes:

– fragmentation of traditional media (the emergence of satellite and digital TV, thematic channels directed to a narrow group of recipients),
– the emergence of new ways of communication (e.g. product placement, interactive electronic media).

These changes have resulted in abundance and variety of available options to contact with customers. In addition to the traditionally understood advertisement interactive advertising appeared.

It should be emphasized that the task of marketing communications is to form the message in such a way that the recipient takes the action expected by the sender. Exchange of information evokes customer's reactions to the message – including decoding, acquisition and valuation. The use of various techniques of persuasion is to strengthen the force of the message broadcast. However, they have a chance to achieve a desired success only if the sender (at the message design stage) takes into account psychological, demographic, cultural, social and economic features, specific to a given recipient (group of recipients) (Rosa, 2005,

p. 42). A similar situation is with the choice of media that are to carry a personalized message.

The tools to obtain, analyze and optimize the use of marketing data coming from the network include:

a) in case of obtaining marketing data:
- analysis of server logs,
- electronic survey,
- commercial online basis,
- analysis of invisible network resources,
- data extraction from web pages;

b) in case of analyzing marketing information:
- Web Farming,
- Web Warehousing,
- Data Mining;

c) in case of systems to manage marketing information in e-business:
- Customer Knowledge Management,
- electronic Customer Relationship Management.

Personalization in marketing communication

The transmission and exchange of information are becoming more individualized in character, channeled towards an ever narrower and more precisely defined group of recipients or even towards an individual recipient. This is because digital media technologies allow for individualization of communication, including targetting a single recipient. The basic content can therefore be supplemented by additional, marketing content, prepared to match the specific profile of the consumer.

Individualization of an offer consists in adjusting it so that it best matches a potential group of consumers of the product (service), selected on the basis of psycho- and demographic data. Personalization goes one step further – it can be said that here the offer is adjusted not only at the level of the characteristics (behavior) of the target group but also at the level of a single recipient belonging to this group.

The purpose of personalization is to make the recipient feel that the offer is addressed only to him/her – he/she is to feel special. This in turn provokes him/her to take advantage of the offer.

Personalizing communications in the digital world, contrary to what may appear, however, is not very difficult to achieve and only requires specific conditions. The basic requirement for its use is the availability of adequate data on the recipient and the appropriate technology to collect and process that data (e.g. registration form on a website). Customer information databases are beginning to play a special role in both collection and processing of such data.

The benefits that recipients derive from personalization in traditional and electronic relationship with individual customers are:

- the ability to benefit from discounts,
- efficient service,
- the opportunity to subscribe to a newsletter according to the customer's preference (for portals – e.g. finance, advice, entertainment),
- efficient access to interesting offers in an electronic shop,
- possibility to compose a customized page from the available content,
- quick access to desired resources,
- consistency of personalized communications across all electronic channels,
- ability to place orders for unusual items (e.g. own composition of elements of Nike shoes or ordering individual books in print published by Helion).

In turn, among the benefits that the organization receives, the following can be mentioned:

- ability to define the target group,
- building own address database,
- initiation and maintenance of effective communication process with users,
- chance to win customer loyalty,
- generating return visits of online recipients, gaining customer satisfaction, which may be the source of the most effective advertising distributed through word-of-mouth recommendation,
- competitive advantage against companies which do not use similar personalization practices,
- ability to share the defined advertising platform,

- getting positive feedback about the site or company,
- attracting attention of large Internet audience,
- gaining recognition among the online community for the uniqueness of the services provided.

An important advantage of the Internet is also the ability to track what the user is doing on the site, and even in other places in the network. Limited to its own site, the company may collect a number of user information already at the stage of registration (if it has this functionality), using an appropriately designed registration form.

Personalized forms of advertising include (Szwarz):

1. Recommendations in e-shops – recommendations, called otherwise suggestions, are used to suggest to the user in what other products (services, articles) he/she may also be interested. Recommendations of this type are most commonly used on news websites and on blogs and – in a broader sense – in e-commerce.
2. E-mail marketing – personalization is also increasingly being used in e-mail marketing. As with ads on websites, here you can also use the user's name and data from his/her profile. It is also possible to automatically, taking into account the recipient's gender, adjust the message content – both the welcome address, as well as individual words in the text.
3. Personalization in search engines – creators of the now most popular Internet search engine in Poland, Google, have made personalization of the search results one of its development directions. This is called semantic search. The data collected by Google may include, among other things, keywords entered by users, the history of clicks on search results pages that are displayed on them and sponsored links. The collected data is used to generate results in terms of the user's existing preferences.

Conclusions

Information that is useful in a decision-making process becomes the most valuable resource namely knowledge for today's businesses. Marketing information is any kind of information used in the process of company's marketing management, which is the basis of knowledge creation. It allows us to reduce the uncertainty of decisions related to the implementation of strategic and operational marketing.

Increasing needs and requirements of customers, increasing economic and IT awareness, and escalating competition have resulted in a fact that information, being a product of information technology, is a necessary condition to achieve a non-price competitive advantage.

Information systems have operated in business for a long time. So far, however, their purpose has been to improve existing practices. Only adding them to an integrated, global network – which is the Internet – creates a new quality. Every organization, large or small, has the ability to conduct business on an international scale. The wealth of information in the network gives tremendous opportunities to businesses and customers. Information and knowledge can spread rapidly over large distances. Progress and economic growth has always been a product of human mind and technological innovation. Access to information and knowledge, what this information means is the basis of development, including economic development. New business environment is created where information and knowledge, through teleinformation technology, become a primary decisive criterion for the success or failure of firms, regions and whole economies. Information and knowledge create value added, increase productivity and efficiency of management.

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E-CONSUMERS ATTITUDES TOWARDS PAYMENT FOR INTERNET SERVICES IN POLAND[**]

Abstract

The paper addresses the issues of e-consumers attitudes towards the payment models of accessing content on web pages (as the alternative for advertising model, which assumes no payment for content in exchange for advertisements). Basing on the analysis of chosen secondary sources the author states the hypothesis that there is an on-going change in mentality of internet users towards the internet payments. The growing number of different web purchases, aversion to advertising and the decreasing effectiveness of advertising models are factors that push e-consumers in the direction of acceptance of payment for internet services.

Keywords: Internet, e-marketing, e-consumer

Introduction

E-consumer, the internet user who makes a purchase via internet, is the subject of many studies, mainly concerning the operation of e-commerce market.

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The purpose of this paper is to present one of the segments of this market – services provided via internet, with particular emphasis on changes in the attitudes of the payment for these services. The term ‘internet services’ used in the paper is understood not as offering access to internet, but as all kinds of services that can be offered and rendered in internet. While in the common perception of Poles for the use of the internet one has to pay to the provider, the services offered in internet are mostly free of any charge (Gracz, 2010). The average internet user uses the internet mail, reads news, and participates in social networks without having to pay for those services. There is observed a phenomenon that users are convinced that services available on internet are free of charge and should be free of charge. The research conducted by Gemius in Poland on the attitude of internet users towards the advertisement in internet shows that only one of six internet users would be willing to pay for accessing internet pages.

The paper is an attempt to demonstrate that this attitude is changing. There has been a significant increase in both number of paid internet services and content but also a positive attitude of internet users towards paying for services. This thesis will be verified on the basis of selected research results and examples of websites that already have customers who pay (in various forms) for their content and services. Realizing the purpose of the paper, in the first part the characteristics of internet users in Poland will be presented, then a typology of online services and network operating models currently used by companies will be discussed. The paper concludes with the discussion of factors influencing the choice of paid content by internet users and the directions these factors are changing.

Polish internet users on the background of chosen EU countries

An internet user is defined as a person who used the Internet at least once in the past 30 days (or “use the internet at least once a month”). It should be noted that some studies use different definitions, for example an important internet study on Polish market “TNS Telecom Index & Interbus” conducted by TNS OBOP Company (6th research company in Poland in terms of turnover) defines the internet user as “a person who has access to the internet” Nevertheless in the paper the author uses the definition of internet user as a person who uses the internet at least once a month. The number of internet users in the years 2000–2010 is shown in Table 1.

Table 1. Penetration of internet in Poland in years 2000–2010

Year	Users	Population	% of population	Data source
2000	3.700.000	38.181.844	9.7	www.itu.int
2005	10.600.000	38.133.691	27.8	www.c-i-a.com
2007	11.400.000	38.109.499	29.9	www.internetworldstats.com
2010	22.450.600	38.463.689	58.4	www.itu.int

Source: own elaboration on the basic of mentioned data sources.

Breaking the half of the population point seems to be a fairly good result for a former communist country; however one should bear in mind the dynamic growth of the internet and thus a high penetration rate in other countries. Comparison of internet penetration in selected European Union countries are presented in Table 2.

Table 2. Comparison of internet penetration in Poland and selected European Union countries in 2010

Country	% of population
European Union	67.6
Sweden	92.5
The Netherlands	88.6
Romania	35.5
Cyprus	39.3
Poland	58.4

Source: Internet Usage in Europe, http://www.internetworldstats.com/.

Table 2 presents the comparison of internet penetration in Poland in relation to the average European Union and the two countries with the highest penetration in the EU (Sweden and the Netherlands) and two countries with the lowest penetration (Romania and Cyprus). Still, in 2010 among the 27 members of European Union, Poland in terms of Internet penetration was at 21st place. The penetration in Poland remains below the EU average; there is still a long way to go to level with the leading countries in this respect. On the other hands the data of the internet growth rate in Poland are rather promising, as shown in Table 3.

Table 3. The dynamics of internet growth in selected EU countries in years 2000–2010

Country	% of population
European Union	257.8
Latvia	902.3
Romania	873.3
Lithuania	834.9
Hungary	763.8
Poland	701.8
Bulgaria	689.5
Czech Republic	568.1

Source: Internet Usage in Europe, http://www.internetworldstats.com/.

More than sevenfold increase in the number of internet users in Poland in 2000–2010, including a doubling in the number of internet users in the period of 2007–2010 (cf. Table 1) indicates a fairly high growth rate. With much less dynamic growth in the number of internet users in other EU countries, which is primarily due to saturation achieved by the more developed countries of EU, the situation of Poland regarding internet usage is improving.

E-consumer and e-market in Poland

The number internet users determines the number of e-consumers, although not everyone who uses the internet purchases products and services there. E-consumers can be defined as an internet user, who makes a purchase via the internet. The essence of e-consumption is the transactions made via internet, not just obtaining information, communication or advertising. Market transactions in the internet network are usually called e-market, e-commerce or internet market. Since 2000, sustainable development can be seen in this market. Despite the economic turbulence of e-commerce sector did not suffer in 2010 downturn. What's more, according to the report "E-commerce in Poland in the eyes of the internet users 2010" the year 2010 was clearly better than 2009, and the current is assumed to further increase the participation of on-line shopping in the expenditure of Poles. The report also confirms the increase in the percentage of online shoppers in 2010 to 74 percent of internet users. This means that in 2010 some 16.5 million Poles bought something via the internet.

The data presented above relates primarily to the purchasing of "traditional" goods and services via the internet (by traditional authors mean those that can be purchased outside the Internet). It should be noted that purchase of internet services is still so small in relation to those products that, in most studies of e-commerce, they are presented as "other".

Most frequently bought products by Polish Internet users, with reference to global data, are presented in Table 4

Table 4. Purchasing products on-line in Poland and in the world

Product category	E-consumers* (%)	
	in the world	in Poland
Books	41	17
Clothing/shoes/fashion	36	18
Tickets and reservation (airline and railroad)	24	6
Videos/ DVD/ computer games	24	5
Electronic equipment	23	10
Cosmetics	19	10
Music	19	9
Trips/hotel reservation/tourism	16	4
Computer hardware	16	10
Computer software	14	4
Toys/child products	9	6
Car parts	4	7
Hobbies	3	3
Others	20	2

* Respondents could have chosen more than one product, hence the data presented do not add up to 100%

Source: own elaboration on the basic of research: Nielsen, October–November 2007 (world data), NetTrack SMG/KRC, January–November 2007 (data from Poland), according to: www.money.pl/gospodarka/raporty/artykul/raport;co;polacy;kupuja;w;internecie,149,0,322965.html (10.08.2011).

The data presented in Table 4 shows on the size of the e-market considering most of all tangible goods purchased over the Internet. The purchased intangible products (services) that may be provided or sold via the internet most often bought are airline tickets and travel services.

The above table shows the sales of goods and services, which are also offered in traditional markets. An important conclusion to be drawn from the presented data is the existence of a high awareness of the possible use of the internet for shopping. The author believes that increasing awareness of possibilities of commercial exploitation of the internet in relation to traditional goods translates into the conviction that other internet services are worth paying for. This hypothesis in currently being verified in author's other studies; among them in the State funded research No. NN112390840 'Buying behavior, "young adults" on the Internet'.

Typology of internet services

The most often use typology of internet services includes following categories: (1) On-line banking; (2) Electronic commerce, including Internet auction services and Internet shops (3) Electronic mail and e-mail software; (4) Internet radio; (5) Internet TV; (6) VoIP; (7) World Wide Web, including commercial WWW pages, internet portals, internet catalogues, search engines and social networking .

From the presented typology stands out electronic banking and electronic commerce. In the case of electronic banking payment issue involves the product and pricing policies of individual banks. It seems that nowadays in Poland most banks offer electronic banking at no additional charge, which is associated with relatively minor costs of this distribution channel of banking services. However, e-commerce brings with it the need to pay for purchased goods and services, although the usage of the shops and auctions for buyers is usually free – one can refer it to the real world where the customer does not pay for the entrance to the store, but only for the purchased products.

Other Internet services in the vast majority are in the form that is commonly considered to be free. This will be further described in the part 5 of the paper, after the presentation of the typical business models that may exist on the Internet in the part 4.

Models of operating in internet

Reviewing the literature one can find many internet business models (according to D. Nojszewski (2007, p. 56) there are even 38). For the purpose of this paper author assumes 10 the most popular models of offering content and services to internet users:

Advertising model (also known as ”promotional model”), which essence is to provide users with free content and/or services, accompanied by various forms of advertising, obtained from third parties. This model can be compared to commercial television, for which the main source of revenue is advertising. The idea of the model is based on the relationship between the quality of the offered materials, which translates into the amount/quality of the user, which in turn translates into advertising revenue; the biggest internet company basing on this model is Google.

Payable models. One can diversify among payable models the subscription model and the tariff model. The essence subscription model (also called in literature subscriber or subscription model) is based on the need to charge for some or all of the offered content/services. The name comes from subscription, which is payable at specified intervals (usually the day, week, month, quarter, half year or year). During the paid-up periods, one may use the content assigned to the subscription. Subscription model is often used by magazines (Polish examples are “Rzeczpospolita” and “Gazeta Wyborcza”, etc.) and by other sites. A variation of subscription model is tariff model. It is based on payments for received the content/services. The difference is the way the fee is charged. In the tariff model the fee is charged in proportion to the degree of the site usage (e.g., time of use, quantities of materials, data transfer, etc.). Tariff model is used for instance by Polish TV (TVP), which offers on the website to possibility to watch some movies and shows and the payment is charged for each episode.

The model based on voluntary contributions. The essence of this model is to offer content free of charge, while encouraging users to voluntarily pay the amount, if they deem it appropriate. It uses psychological mechanism described by R. Cialdini (1996, pp. 32–62) as the rule of reciprocity, which influences people to return a favor for received from the other person’s benefit. The popular Wikipedia is operating in this model.

Model of treating the internet as a channel of distribution and promotion. Usually there distinguished two forms of operating: treating the Internet as an additional distribution channel (sometimes called as hybrid strategy) or the only distribution channel (so-called pure internet retailers), the vast majority of companies also treats the internet as a form of marketing communication.

Sales model, which bases on operating a virtual store, offering various products and services. The typical examples are amazon.com or in Poland merlin.pl.

Broker model, which bases on getting together the buyer and seller in one place and facilitate the transaction – the most important examples are auction services, such as ebay.com or in Poland allegro.pl.

Brokerage of information, delivery of content. It bases on delivery of information to resources to customers, usually companies. It may be a market research (in Poland for instance gemius.pl), address details combined with online map (for instance Google Maps) and others.

Outsourcing of internet services. These are companies performing a variety of network services for other parties. Such services may include the online payments (e.g. paypal.com), web techniques and services (in Poland e.g. home.pl), safety (e.g. verisign.com), and also in other areas such as taxes, consulting, logistics, marketing, etc.

Affiliated network model, functioning on the basis of mutual links between sites of different companies. The fee may be charged for a click on a link or as a percentage of the sale, which started from the beginning of the site. The most developed form of affiliate network is Google Adsense, the Polish example is ‘Program Partnerski Allegro’.

Hybrid models, which base on combination of methods mentioned above.

And others.

Analyzing the history of internet the first model developed on a large scale model was advertising model. For many customers this was indeed the only known way of functioning in the network, associated with free pick-up content. At present, special attention deserve hybrid models that combine many of the above models. It seems that currently most of the internet companies to some extent make use of several different models.

Typical business models for internet services

In the case of internet services, one may observe that almost in each kind of services the payable models appear. Synthetic overview of business models used in web services, along with examples of paid services, are presented in Table 5.

The most important information that can be observed in Table 5 is the existence in most of the analyzed web services (other than those mentioned earlier in section 3 e-banking and e-commerce and business web sites and search engines), both free form (provided in an advertising model) and their equivalents (or extensions) in the payable form.

Table 5. Summary of Web services and business models used

Internet service	Typical business models applied	Examples of payable services
Electronic mail and e-mail software	– advertising model – payable model	paid mail box offered by Polish portals such as onet.pl or wp.pl
Internet radio	– advertising model – payable model	paid internet radon offered by Yahoo.com
Internet TV	– advertising model – payable model	paid internet television offered by vod.onet.pl
VoIP	– advertising model – payable model	skype-out service offered by Skype
World Wide Web	– model of treating the internet as a channel of distribution and promotion – sales model	none
Internet portals	– advertising model – payable model	payable access to newspapers and magazines
Internet catalogues	– advertising model – payable model	payable version of Polish Yellow Pages book ‘Panorama firm’ (pf.pl)
Search engines	– advertising model	none
Social networking	– advertising model – payable model	paid account in linkedin.com service

Source: own elaboration.

It should be kept in mind, however, that models involving payment for content consider on only a small number of internet users in Poland. For example, 90% of content from the service vod.onet.pl is offered in the advertising model, and only 10% of this material is payable. However, as is indicated from Gemius research in 2010 for various types of video content there are between 7–12% of internet users who are willing to pay for it. In the same time the definite lack of any willingness to pay is declared by 36–44% of internet users.

Factors that push e-consumers in the direction of acceptance of payment for internet services

According to the author there are three factors that determine the transition from advertising models to payable models. The first one is related to the attitude towards internet advertising and second one is related to the increase in internet shopping. The third one is on the internet service providers' site and is related to the decreasing economic efficiency of the advertising model.

Attitude of e-consumers towards internet advertising

According to the Gemius report "Attitude of e-consumers towards internet advertising" two out of three surveyed internet users have generally negative attitude towards advertising. What is more, as indicated by the Gemius Report "Stosunek internautów do reklamy" (2009), they are more critical of advertising on the Web than other forms of advertising (e.g. on television or on billboards). This negative attitude does not automatically mean willingness to pay for internet services – as is clear from the same study, only one in six internet users would be willing to pay for access to websites. A little more support has the idea of increasing charges for the internet, resulting in a lack of advertising display. Most Internet users would agree on a way to block ad serving, if charged amount did not exceed 2 PLN. With the increase of this amount, the number of internet users willing for this type of service dramatically decreases.

Familiarization of e-consumers to online shopping

As it is presented in part 2, more and more internet users make purchases online. It also means an increase of experience and reduced level of fear towards online shopping. A person who is familiar with internet purchasing process is more inclined to purchase various goods and services, including paid internet services, due to reduced barrier of risk perception.

Economic effectiveness of advertising model

The advertising model assumes financing the operations of internet service providers from advertising placed on their sites. Online advertising market in Poland, despite the slowdown in economic growth, develops rather dynamically. According to IAB AdEx research conducted by PwC (2011), the value of online advertising market amounted to 1,237 million PLN in 2008, while in 2009 the value was 1,373 million PLN (11% increase). In the first half of the 2010 the market value stood at 777 million PLN, which is almost 20% increase from 658 million PLN recorded during the same period of 2009.

From the perspective of businesses conducted in the advertising model, one should pay attention to the structure of online advertising. Although the graphic advertisement still has the largest share of advertising market, its percentage gradually decreases (a fall in the first part of 2010 by two percentage points over the same period of 2009), especially for search engine marketing (SEM), whose share in the same time increased by one percentage point (while analyzing the increase in spending it was an increase of 30%).

Overlapping the possibility of advertising model with web maintenance costs make increasing, many companies have difficulty in balancing income and expenses. For example, despite the support of the internet giant, which is Google, YouTube, advertising based model, from a short term financial point of view turns out to be ineffective. For three years after the purchase of YouTube by Google service was still making losses. It turned out the revenue from the advertising model is not able to cover the costs of maintaining the site. In 2009, revenues from advertisements broadcast on the site were estimated at $ 240 million, while costs at 700 million (Wang, Senaraport, 2009). This situation has led to Google's decision to make the first change in the business model: in early 2010, YouTube announced its intention of presenting five movies paid per view (the price of about $ 5 for one) from the Sudance festival that is sponsored by it.

Conclusions

Summarizing the information presented in the paper about consumers' attitudes towards payment for internet services it can be stated that at the moment the dominant is and will remain the advertising model. This model is from the consumer point of view free of charge. However, given the consumers getting used to online shopping, aversion to advertising and the likely pursue of companies offering internet services to implement at least partial access to paid content models, the author tends to state that in the near future, consumer attitudes to fees for internet services will become more favorable. Consequently, the market for these services will develop, which may lead to the so-called critical mass, which in turn will cause massive dissemination of a payable model. However, this requires further in-depth research and analysis.

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ADDITIONAL POSITIVE EFFECT TO QUALITY PERFORMANCE IN RELATIONSHIP MARKETING WITH A NEW CONCEPT: CRITICAL INTERACTION SPACES (CIS)

Abstract

Considering the dynamics of relationship marketing, customer is critical value having strategic importance for the buiness. Acquirement of the expected gains of relationship marketing depends on the quality and the strength of the relation between business and its stakeholders occurring at the desired level. In this context, the business' exact and correct comprehension of the customer and accordingly exact fulfillment of the customer's demand have a critical importance. A customer entering into service delivery system plays role of accomplishing the task that is assigned to it within the system. Here, the point that needs to be taken into consideration is whether or not the service business exactly reaches the quality level it had already set, and in cases of a different 'request' what sort of process the service delivery follows. Within the scope of service marketing, it is focused on how the customer relationships manager, sales and service personnel have to deal with the customer. However, when the administrative and training programs of service businesses are analyzed, it was seen that they only developed programs considering the customer and contact personnel interaction. Because of this reason, it was considered necessary to analyzed the interaction between personnel and personnel in the back stage, and develpoed a method called 'critical interaction spaces (CIS)'. The service business has advantages such as ensuring the highest level of consumer satisfaction, enhancing service quality to a specific level, achieving the highest level of consistency between customer's wants and specifications, controlling quality during the process, contributing positively to consistency of service by analyzing the CIS.

Keywords: quality, critical interaction spaces, relationship marketing

Introduction

Because of the fast change in recent years, service businesses consider the necessity of long term relationship with customers, so they adopt the relationship marketing concept which provides competition advantage. Acquirement of the expected gains of relationship marketing depends on the quality and the strength of the relationship occurring at desired level between the business and its stakeholders. The competitive force of a service business depends on how much employees and stakeholders provide the expectations of customer which is one of the most important stakeholders. It is of critical importance for service business to fulfill demand and expectations of customer completely in order to create competitive advantage. The guide way of fulfilling this aim is to confirm compensation of customer expectation completely within service flow. I have developed a method for this aim named as CIS. CIS was developed in order to fulfill demands of customer in each stage of service flow process and serve with zero defect.

The aim of the research

Considering the dynamics of relationship marketing, the stakeholder having a strategic importance for the business is the customer. Within the framework of the strategic importance, as inside and outside customers, understanding the structure of interaction between customer and personnel is important. The researches included in the literature manifested the extent with which the interaction between the customer and service personnel serves the predetermined objectives, that this relation affects the quality of interaction performance, and has a significant effect on service quality and the output. This effect makes a positive contribution to customer satisfaction (King & Garey, 1997; Örs, 2007). On the other hand, it has been discerned a shortfall in the term of 'interaction' which has major significance in service quality and performance efficiency. To resolve this shortfall, a concept has been tried to develop. It is possible with this concept to get more qualified outputs during the service delivery system, to control the quality just-in-time, and to create an output that corresponds customer's demand and wants higher level.

Literature

Nowadays, relational marketing, a kind of marketing that demonstrates businesses' competitive position, is explained as all marketing activities for develop and protect successful relational changing (Morgan and Hunt, 1994, p. 22). The main reason that relationhip marketing provides business an important competition advantage is that intangible elemets can not be imitated easily by competitors.

Relationship marketing is based on relationship defined as 'a social support between business and customer, an expert-based support, a layout of psychological and ideological connections' (Berry, 1995, p. 238; Storbacka et.al., 1994, p. 25). In relationhip marketing, marketing activities are categorized according to the dimentions of continuity, individuality and identity (Gordan et.al., 1998). The level of countinity means that the interaction of relation's continues of both sides, and the individualization level means to individualize marketing mix of business according to the each customer's personal needs by providing greater value.

Researchers found that percieved value has a significant role in influencing customer satisfaction (Chen, 2008). The core value provided by the service business to customers includes quality of the service delivery and the uniqueness of tangible and intangible products besides company images, physical facilities. Much research has been showed that emphasizing customers' perception of service quality is important to increase the added value of service (Lin, 2007). Percieved service quality and customer value are supported as drivers of customer satifaction (Lim et.al., 2006, Anderson et.al., 1994), and contribute to generating customer satifaction (Deng et.al., 2010). Kotler (2000) argued that customer satisfaction was closely linked to customer value and the measurement of customer satisfaction should be carried out from the perpective of value. Percieved quality and customer satisfaction are predictors of curtomer' behavioral intentions (Chen, 2012, Liao et.al. 2009) which is the basic stage of customer loyalty (Kandampully and Suhartanto, 2000, Prandergast and Man, 2002, Murray and Howard, 2002, Gallarza nad Saura, 2006, Eggert and Ulaga, 2002, Choi et.al., 2008). When a customer trusts e service provider, he or she will expect to increase satifaction and loyalty towards the vendor (Kassim and Abdullah, 2008). Kim and his friends (2009) found that trust will affect satisfaction in the long term. Sheth, Newman, and Gross (1991) argued that a customer's purchase choice was influenced by a multiple consumption value dimensions which are functional, conditional, social, emotional, and epistemic.

In services which have high level of customer-employee interaction, the relationship quality that demonstrates interaction quality is the main factor for customer satisfaction (Bharadwaj et.al. 1993, p. 93; Henning-Thurau and Klee, 1997, p. 751), and customer satisfaction is precondition for customer retention (Kotler, 1994, p. 20). One way of building customer satisfaction is that to enhance and improve customer reliationship, and increase the reliatonship quality (Anderson et.al. 1994; Naumann and Rosenbaum, 2001, p. 40; Kumar et.al., 1995; Dorsch et.al., 1998). The findings of the research which made to demonstrate what make the customer satisfied categorized into three groups (Bitner et.al., 1994):

– Employees' response to service system failures,
– Employees' response to customer's needs and wants,
– Employees' behaviors which do not turn to act or undesirable.

Becoming a competitive tool for interactions that accure in these three area is possible if and only if service businesses' source and capability creates benefits that customer desired (Bharadwaj, et.al., 1993, p. 93).

In service experience, customer's roles are gathered in three groups (Bitner, et.al.,1997, p. 194):

– Customer as a part of production,
– Custumer as a participant to quality, satisfaction and value,
– Customer as a rival to service business.

Therefore, customer is considered partial employee (Bowen, 1986, p. 373; Mills and Morris, 1986, p. 730). The effectiveness level of the customer's participation in the delivery process will increase the extent with which the needs are fulfilled and the level of the expected yield. In customer experience, service quality is the amount of the service performance exceeds customer's expectations (Zeithaml, Berry and Parasuraman, 1985; 1990; 1991), so business should identity what customer's expectation and its level. According to the finding that service quality is the indicator of customer's percieves (Örs, 2008, p. 554), it may cause a constraint in percieved quality if the business provides services within the framework only pre-production specifications, and the reason is that customer's real time deamand could not compensate predetermined specifications. This situation requires to be flexible in specifications, and to have employees who are qualified in multifunctional ares, also alternative options. Furtermore, findings demonstrated that customers who take the same service output but come from different cultures have different quality perceptions (Örs, 2009, p. 343).

There are quite detailed researches about improving the service quality in literature. Service quality is essential concept in service marketing because it is one of the determinant of competitive force (Kemp, 2005; Bharati and Berg, 2005; Yoo and Park, 2007).

The model developed for revealing the level with which performance expectations are met is the service contact valuation model. In this model that Brown and friends developed (1991), it is determined that satisfaction which occures as a result of service contact effects the perceived service performance of customer.

Another study is explained as 'gap model' (Zeithaml, et.al., 1988, p. 36). The model demonstrated that the customer's percieved service quality is effected by four gaps which accure in service business. In service business, the holistic model that can be used for achieve to the targeted degree of organizational quality is ten-points model (Heymann, 1992). In the model, the ten-points are creating a quality culture, developing teamwork, developing the leadership qualities, developing customer oriented policies and procedures, forming standarts, developing human resources, creating a quality plan, creating a measuring system, performance evaluation and contiunity education. It is seen that the basic premise of the model is the customer and relationships in a service business.

The first step of ensuring customer satsifaction, service quality and performance effectiveness is to determine how much the customer is involved in the service delivery system. For this reason, the degree of relationship between customer and service should be examined. This degree is examined in three groups; low-contact services, medium-contact services, and high-contact services. 'Low-contact services involve no physical contact between curtomers and service providers. Medium-contact services entail a lower degree of involvement with service providers. High-contact services are those in which curtomers visit the service facility in person anda re actively involved with the service organization and its personel throughout service delivery' (Lovelock, 1996, p. 50). In low-contact services, customer's efficiency power in service delivery system is at the lowest level. Customer cannot interfere or effect the process, cannot direct the service performance within the framework of extra wants. In medium-contact services, customer is not dominant in service process. A customer entering into an available service delivery system plays its role of accomplishing the task that is assigned to it within the system. In high-contact services, the situation is quite different than the situations explained before. Bebko (2001) found that customers had higher expectations of the service quality from industries with a higher intangible service level than from the industries with a lower intangible service level. In high-contact services, contact personnel has an important role, because this personnel fulfill a part of functions similiar to physical delivery and promotion functions. Therefore, it is obvious that in high-contact services, service personnel has a critical importance.

Another difference between high-contact service and the others is which quality dimension the customers consider and how much it is essential for them. Grönross (1984), who has detailed studies about this topic, considered quality's service-based component as 'technical quality' and 'functional quality'. Technical quality responds what delivered to customers, functional quality responds how the service delivered to customers. Functional quality is more important in high-contact service than the other types of service.

Considering in terms of customer satisfaction perspective, customer-personnel and personnel-personnel interactions should be addressed planning and education subject. Here, the important point that needs to be taken into consideration is whether or not the service business exactly reaches the quality level it had already set, and in cases of a different 'request' what sort of process the service delivery follows. Because competition accures in expanded level of goods, it makes value to cater customer's demands exactly.

Critical Interaction Spaces (CIS)

According to the explanations so far, it is important for service businesses to respond completely and accurately to expectations based on the customers' demands or wants. Generating outputs which exactly correspond to customer expectations is possible if and only if customer demand is communicated completely and accurately, and processed accordingly to those demands in whole service process.

The method of 'Critical Interaction Spaces' was developed for the service industry to generate output based on customer request, and to achieve more consistent levels of customer service and satisfaction, thereby contributing to the creation of loyal customers. CIS are the interaction spaces applicable for all activities in every phase of the service flow and in interaction with each other, where the pervious process affects the next process and, depending upon the result of this interaction, where the next action is carried out and an activity output is obtained, which in turn affects another action and thus the cycle of interaction is created. This interaction cycle starts with the customer who wants a service. The main reason the cycle starts with the customer is the simultaneity feature, which is one of the hidden generic features in the natural structure of the service. This feature shows that the service is producing while it is consuming. Because the service is not considered produced before the moment it consumed, the starting point of the interaction cycle is the customer who forms the consumption side. Every process expressed in this description is appropriately called a ‘space,’ because each activity interacts with subsequent processes. These interaction spaces are processes that interact with subsequent treatments to meet the exact demands of the customer. Inasmuch as the customer is a part of the production function in high-level customer services, the customer nevertheless has no chance to judge the performance of service or intervene in any process that goes wrong. Consequently, CIS puts forth a quite different structure from the other customer-service personnel interactions in the cycle.

In the service delivery system, analyzing critical interaction spaces has the following advantages:

– ensuring the highest level of consumer satisfaction,
– enhancing service quality to a specific level,
– achieving the highest level of consistency between customers’ wants and specifications that have been determined prior to providing service, so, getting the best output according to the customers’ wants,
– controlling quality during the process,
– contributing positively to consistency of service.

It would appear that analyzing critical interaction spaces is a basis for guidance to the problems which are crucial for the service business and which may be difficult for intangible service. From the analysis of the interaction which takes place between the parties involved in critical interaction spaces, it is clear that the interactions are customer-contact personnel, as well as contact personnel-treatment personnel and treatment personnel-treatment personnel. However, examining the administrative and training programs of service businesses exhibits that businesses create their programs by only considering the customer-contact personnel interaction. Within the scope of service marketing, it is focused on how the customer relations manager, sales and service personnel have to deal with the customer. Customer and contact personnel are the only one side of that communications. In theory as well as in practice, the missing point is the interactions among personnel who work backstage in the service industry, especially in the service delivery system. These interactions are personnel-personnel interactions that need to be analyzed within the scope of CIS and the most convenient form of contact has to be created for.

The simultaneity feature of customer service requires that the quality of service has the simultaneity feature too, because it is not possible to determine which level of quality has been attained by what does not exist before it has been produced. A service business can set pre-production specifications to achieve better service quality and consistent quality level. At that point, there may be possible gaps. One of these gaps is service business manager's misunderstanding customer expectations. This deficiency is transferred to service personnel during service flow process. As a result, service output cannot fulfill customer expectations completely. In order to compensate this deficit, gap model was developed by Zeithaml and his friends (1988). Suppose that service manager acknowledges customer expectations completely and correctly, and develops specifications. However, in this case it is possible that another deficiency may start. This deficiency would result from transfer of customer demand received completely and correctly from contact personnel throughout process of service flow. In fact, process of demand flow may require different treatments. In this case, customer demand would be treated by background personnel and then transferred to contact peronel. During these processes within service flow, customer demand would be malfunctioned. In order to fulfill deficiencies mentioned above, CIS method was developed. Contact personnel, mentioned in the method is the personnel who has direct contact with the customer. Treatment personnel is the background personnel who do not have contact with the customer. All helpful solutions to improve service quality and achieve consistency in service are attained by resolving these gaps.

As can be seen by the previous comments, determining critical interaction spaces to get the best output for a customer requirement and creating a specific management process that creates competitive force are the managerial success in preventing failures.

CIS should promote the processes that review step-by-step each interaction's structure, and the content should be explained clearly, completely and understandably to all relevant personnel in the business. The first stage of this analysis begins by creating a service flow plan in details. Each interaction point in the service flowchart should be determined exactly. In the second stage, these interaction points' sides are determined. It is an advantage for quality of service output to provide the best communication among each side in the interaction process.

Thus, the process manager that determines the interactions' sides can identify employees who are exposed to interactions in CIS by name, and develop a personalized approach. During the process flow method development, the most appropriate process flow may be created by allowing for participation from both the manager and the service personnel in the interaction sides. If it is necessary, in the last stage of CIS analysis, sub- systems may be created for making the process flow as flexible as possible, with the ability to assure to different customer requirements. Eventually, a control mechanism should be created. In the control mechanism for the last stage of CIS analysis, as well as in every interaction process of CIS, a dynamic system should be created in which the personnel in the next process should be controlled by the previous process personnel in points of conformity and content. The basis of the control system is created by the customer's requirements. After every cycle, the service personnel who connects with the customer performs the last check of the critical interaction spaces. If any tangible component is in use during service production, it should be monitored also (for example, in a luxury restaurant, the special meal itself should be checked). Because service is intangible, it is not possible to turn it back if there is any shortfall, mistake or defect.

Conclusions

The most important point here that the manager should remember while determining CIS is to make sure that all employees perform each interaction event in the same manner at each level, and that the phrases they use have the same meaning. Additionally, each employee in CIS should accept that the employee in the next process is the quality controller of the previous process. For this, management should create a personnel group that has a shared process terminology and work culture. As managerial solutions, specific and detailed process flow plans and techniques, detailed analyzed methods are recommended to business.

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Chapter III

TOURISM MANAGEMENT

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THE DEVELOPMENT OF RURAL TOURISM IN CHANIA: THE PERSPECTIVE OF TRAVEL AGENCIES

Abstract

Chania Prefecture covers the western quarter of the island of Crete and is promoted primarily as a "sun, sea and sand" destination, rather than as an alternative tourism destination. Alternative and more specifically, rural tourism has become an important and in some cases a dominant factor in the rural economies of Mediterranean destinations. However, in Crete less attention is presently paid to the development of alternative forms of tourism, and in particular rural tourism, despite the growing interest of international visitors.

The theoretical part of this study includes a brief presentation of current rural tourism development in Chania Prefecture, as well as a discussion of the literature in the fields of alternative and rural tourism. The paper presents and discusses key findings derived from research undertaken in the city of Chania and its surrounding areas, during a period of four months (June–September 2009). Approximately 50 travel agent owners/managers participated in face-to-face interviews based on a questionnaire. This paper concludes by presenting the survey's findings concerning the extent to which the local travel agencies contribute to the demand for, and therefore to the development of, alternative forms of tourism and specifically, rural tourism in Chania Prefecture.

Keywords: alternative tourism, rural tourism, local travel agencies, Chania Prefecture

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Introduction

Starting in the early 1970s, tourism has developed rapidly during the last decades, and in our days has become very important for the locals, since an increasing number of them are participating in the tourism business. International mass tourism has become particularly significant over the past three decades especially for islands. Nevertheless, growing concerns about the negative consequences of this type of tourism have generated a growing interest in alternative forms of tourism.

By the late 1980s, a change in the tourism industry's marketing strategy had taken place along with the appearance of the global environmental movement. In the decades of "green consumerism", critical consumers were soon leading the demand for "environmentally sound" holidays (Krippendorf, 1987). As Pholpoke (1994) states, tour operators and travel companies began to promote themselves and their products as "environmentally friendly", and a number of companies published ethical and environmental codes of conduct and guidelines for travelers, as well as guidelines for self-regulation. Tour companies also started to promote alternative tourism holidays to all corners of the world, to coincide with the inclusion of the environment in the mainstream political agenda (Oku, 2003).

A conceptual clarification of alternative tourism

Krippendorf (1987) suggests that alternative tourism is not a well-defined notion, but the term is coming to be used increasingly for various modes of travel: educational trips, adventure holidays, hiking holidays or the solitary journeys undertaken by globe trotters. For him, the guiding principle of alternative tourists is to put as much distance as possible between themselves and mass tourism. They try to avoid the beaten track, they want to go to places where nobody has set foot before them and they want to do things which will bring them a sense of adventure and help them to forget civilization for a while. Alternative tourists try to establish more contact with the local population, they try to do without the tourist infrastructure and they use the same accommodation and transport facilities as the natives. In short, for Krippendorf (1987) alternative tourism is a reaction against mass tourism.

Increasing number of tourists traveling all over the world puts great pressure on the environment. A high price is paid for the economic benefits of tourism, endangering the core assets of tourism itself: the natural environment and human cultures (Budeanu, 2005). The main environmental impacts of tourism are pressure on natural resources, pollution and waste generation and damage to ecosystems. Furthermore, it is recognized that not only does uncontrolled tourism expansion leads to environmental degradation, but this in turn poses a serious threat to tourism itself (Neto, 2002).

According to Avgeli & Wickens (2009), labels used to describe types of alternative tourism appeared in the 80s, included ecotourism, soft tourism, green tourism, sustainable tourism and nature tourism, terms which are now in common usage. Despite the vagueness of these terms, there is an implicit assumption that these types of tourism are more 'environmentally friendly' than the mass tourism that preceded them. Cater (1996), emphasizes the fact that many characteristics of alternative tourism are the opposite of those of mass tourism. The most important difference appears to be that alternative types of tourism are more effective on a smaller scale.

Comparisons should not only be made between alternative tourism and mass tourism, but also between alternative tourism and no tourism. Alternative tourism has been criticized as being elitist because it attracts – at least in some cases – predominantly better off and educated individuals. Moreover, alternative tourism is accused of being the worst form of tourism because it spreads tourism to areas that are not yet spoiled by tourism (Butler, 1990). In addition, as Cater (1993) suggests, the danger of promoting tourism in fragile areas under the banner of alternative tourism without proper controls and regulation may be no different from those of mass tourism. This highlights the need for planners and organizers to pay special attention to environmental and social carrying capacity (Jarviluoma, 1992).

Jarviluoma (1992) goes on to point out that there are general doubts about whether promotion of alternative forms of tourism can substantially reduce the negative effects associated with tourism. Instead, there are good reasons to suspect that alternative tourism spreads the same environmental, social and cultural problems to new and fragile areas. The greatest benefit from the discussion of alternative tourism is still the possibility that through it, the idea of sustainable development may, at least to some extent be transferred to all tourism activity. It is to be hoped that in the future, alternative tourism will not be developed in isolation, but the tendency should rather be towards making all tourism more sensitive to human and environmental needs.

The context of rural tourism

As suggested by Askeli (2005), rural tourism is the parallel development of activities that aim at the economic and social upgrading of rural areas and the countryside generally. This is achieved by environmentally friendly, small-scale tourism services including locally produced food and beverages, the production and sale of traditional products, as well as the showcasing of the cultural and physical riches of an area. One of the major aims of the development of rural tourism was to improve the life of farmers, especially in mountainous regions, and in areas with an under-developed economy. The incentives provided have been successful in retaining the residents of these specific regions in their original communities, thus checking rural depopulation and protecting architectural heritage through the renovation of buildings. It was rightly believed that farmers' income could be substantially improved and cultural heritage promoted.

It could be said that rural tourism appeared at the right moment, catering as it does for the needs of tired city–dwellers for closer contact with nature. At the same time, it allows such people to live long-forgotten experiences at a more tranquil pace than they are used to. It is clear that rural tourism contributes to the economic growth of local communities and facilitates the production of traditional products that would otherwise vanish. It helps to preserve crafts and human memory through the revival of customs and traditional festivities (Sharpley, 2002).

According to Getz (1998), rural tourism is also being promoted increasingly as a counterpoint to mass tourism in well-established destination areas. That is, a number of popular sun-sea-sand tourist destinations have, in recent years, attempted to diversify into rural tourism – tourism that is both locationally and experientially rural/traditional, as opposed to coastal/modern – in order to achieve a more balanced, sustainable approach to tourism development. More specifically, the development of rural tourism in traditionally summer-sun destinations is seen as an effective means of achieving not only the regeneration of rural areas but also a variety of tourism-policy objectives. These include the attraction of more diverse, higher-spending markets, mitigating the problems of seasonality associated with summer-sun, package tourism, encouraging independent non-organized tourism, spreading the socio-economic benefits of tourism into the hinterland, promoting the cultural, as opposed to climatic, attractions of the destination and satisfying the alleged demand for more environmentally appropriate forms of tourism (Sharpley, 2002).

The increasing dependence on and support for rural tourism is based upon a number of perceived benefits it potentially provides to rural areas. Generally, rural tourism is seen as a valuable and growing sector of the overall tourism market, representing a significant source of income to rural economies (Hummelbrunner and Miglbauer, 1994). The development of rural tourism offers potential solutions to many of the economic and socio-cultural problems facing rural areas (Gannon, 1994). The economic benefits include growth, diversification and stabilization through employment creation in both new tourism-related and existing businesses, revitalization of traditional trades and crafts, opportunities for income growth through pluriactivity (Fuller, 1990, in: Sharpley, 2002), the creation of new markets for agricultural products and the broadening of region's economic base. The socio-cultural improvements include the repopulation of rural areas, the maintenance and improvement of public services, the revitalization of local customs and cultural identities and increased opportunities for social contact and exchange, and the protection and improvement of both the natural and built environment and infrastructure.

The extent to which these benefits are realized remains the subject of debate. There is evidence to support the claim that, as a vehicle of economic growth and diversification, tourism can make an important contribution to rural incomes both at the level of the individual farmer and more widely in the local economy (English Tourist Board, 1991). At the same time, however, the notion that tourism represents a panacea to all the problems facing rural areas, that it is a 'magic wand that will speed up economic progress' (Hoggart, Buller and Black, 1995), must be treated with some caution.

Not all rural areas are equally attractive to tourists and simply providing accommodation facilities does not guarantee demand. The total product package must be sufficient to attract and keep tourists and offer suitable opportunities for spending (Gannon, 1994). Developing and organizing rural tourism may require a significant investment either beyond the means of the business owner or greater than justified by potential returns. In such cases, government subsidies may be required to maintain the social benefits of diversification into tourism (Fleischer and Felenstein, 2000). However, local communities and businesses may find it difficult to adapt to a service role. For example, according to Hjalager (1996), European farmers found it difficult to combine the 'commodification of agricultural traditions' through tourism with the agricultural industry. In other words, agricultural values and guest-service values can easily be incompatible (Fleischer and Pizam, 1997). The quality of products and services must match tourists' demands and expectations. Finally, individual rural tourism enterprises normally possess neither the skills nor the resources for effective marketing, a prerequisite to success (Embacher, 1994).

These challenges are not, of course, all evident in every situation. However, they do suggest that tourism is not necessarily a solution to the problems facing rural areas. That is, tourism may not always represent the most suitable development path, because the costs and other difficulties summarised above may limit the potential economic returns. Moreover, these difficulties may be exacerbated where rural tourism is, in effect, competing with a destination's traditional mass tourism product (Sharpley, 2002).

The development of rural tourism in Chania prefecture

The prefecture of Chania covers the western part of Crete. It is characterized as the land of canyons, since more than sixty (60) can be found within the prefecture. Apart from its natural beauty, there are several important archaeological sites, museums with rare findings and historic monasteries.

Chania is the second largest city of Crete and the capital of Chania prefecture. It lies along the north coast of the island, about 70 km west of Rethymno and 145 km west of Heraklion. The cultural background of Chania is very rich, first of all due to the town's long history and its interaction with many diverse civilizations in the past. Furthermore, the location of Crete – immediately connected to Athens, situated between Europe, Asia and Africa – as well as the cosmopolitan atmosphere that tourism creates, has kept the town up-to-date with modern advances in art and knowledge, with several museums, art galleries, theatres, music groups, educational and research institutes within the city.

The old city of Chania has managed to preserve its cultural heritage and traditional architecture and to successfully combine it with the current modern lifestyle. The old Venetian Port with the Venetian Lighthouse, as well as the busy Municipal Market are poles of attraction for both tourists and locals. During the summer period a variety of cultural events take place on a daily basis, organized either by the municipality or by individuals. In the winter period though, cultural life is not as rich, but it is certainly maintained at a good standard. During the last few years there has been a substantial effort by both the city councils and the locals to create and promote activities that ensure that the prefecture is attractive to tourists throughout the year.

Throughout the centuries, Crete's economy has been based on agricultural activities. In Chania Prefecture the most common agricultural activities are the cultivation of vineyards and olive trees, stock breeding, and the production of raki and honey. The Prefectural Administration of Chania in September 2001 founded the Rural Tourism Network of Western Crete, which presently numbers around 35 personal or collective businesses. Of the 35 businesses, 27 are situated in Chania prefecture. It is worth noting that there are more businesses which have not yet entered the Network. The aim of this network is: 'the promotion of sustainable development, the promotion and enforcement of the local societies and their cultural inheritance, as well as the spread of environmental conscience, alternative forms of tourism, and finally the protection of the structured, cultural and natural environment, along with the flora and fauna' (Regional Union of Chania, 2012). The Network focuses on encouraging and supporting organic agricultural production, traditional lodgings, Cretan cuisine, restaurants and traditional kafeneios, production of traditional products (cheese, milk, honey, etc.), the development of alternative forms of tourism and the organization of festivals, seminars and conferences.

Chania Prefecture was one of the first areas in Greece to develop rural tourism through both the renovation and creation of traditional tourism settlements, like Vamos and Milia, which are very well known alternative destinations in this specific geographical area. These types of alternative tourism settlements offer many different activities to visitors such as how to cook traditional Cretan cuisine, the exploration of local flaura and fauna, pottery lessons, courses in Greek language and history, etc.

Today rural tourism in Chania Prefecture is considered a business area with a significant future. It has the potential to provide an alternative path to employment and enables more locals to remain in their areas. The local architectural inheritance will be preserved and, most importantly, a parallel alternative tourism product is available which could be of great assistance in overcoming the issue of seasonality, a major problem for most Mediterranean destinations such as

Chania. It is clearly an area with specialized demands and difficulties. Further systematic research, a positive approach, proper substructures and integrated efforts are however needed.

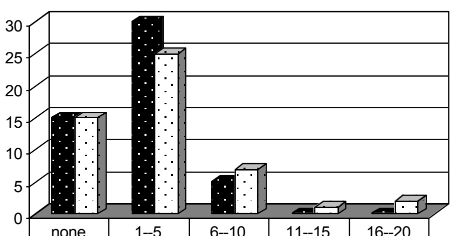
The survey – analysis of results

This research aimed to investigate the present and potential future contributions that travel agencies in Chania Prefecture can/could make to the development of alternative forms of tourism and more specifically rural tourism. Fifty (50) travel agent owners/managers from the city of Chania and peripheral areas participated in structured face-to-face interviews based on a questionnaire. This paper draws predominantly on the quantitative results of this survey, in order to provide a preliminary picture of the respondents' views.

Sample characteristics

The majority of the managers interviewed (32%) were between the ages of 35–44, followed by the age group of 26–34 (30%). 15% were between 45–54, followed by managers below 25 years old (13%). Finally, 10% were above the age of 55 years old. It is worth noticing that only 32% of the owners/managers interviewed were men and 68% were women. All of the interviewees were permanent residents in Chania Prefecture.

Due to the seasonality of the tourism industry in Chania Prefecture, interviewees stated that they employee both permanent and seasonal employees. In Figure 1, the number of permanent and seasonal employees is presented.



	none	1–5	6–10	11–15	16–20
■ permanent	15	30	5	0	0
□ seasonal	15	25	7	1	2

Fig. 1. Number of Employees

The nature of the respondent's business

The highest percentage of the respondents, 36%, stated that their customers are non-organized international tourists, 34% stated non-organized domestic tourists, followed by 24% with organized international clientele. Finally, only 6% stated organized domestic tourists. It is worth noticing that more than half of the respondents (52%), stated that as far as their future customers are concerned, they would prefer organized groups, whereas, 34% stated non-organized groups and 14% responded both. The first point to note is that although 40% of their present customers are organized groups (both international and domestic), over 50% of these travel agents stated that they would like to increase this number as groups are more profitable and easier to manage.

This can be seen reflected in the high level of cooperation with tour operators, as they send them "assured clientele", which again contributes to their profitability. 66% of the respondents stated that they cooperate with tour operators and 34% responded negatively. Regarding their plans for future expansion of their businesses, more that half of the respondents, 54% responded negatively mainly due to financial constraints, 42% stated that they have plans for future expansion and finally 4% was undecided responding "maybe". It is also worthy of note that, in respect to their future plans, they all regarded the idea of elongating the tourism season in Chania Prefecture, as a positive suggestion, and considered that this should be an objective of the local tourism industry.

Alternative and rural tourism development

Tables 1 and 2 below summarize the respondents' experiences, perceptions and beliefs regarding the development of alternative and rural tourism in Chania Prefecture.

The perceived advantages from the development of both alternative and rural tourism for Chania Prefecture are broadly the same, with increased profit seen as the main advantage followed by the elongation of the tourism season and the development and promotion of Chania Prefecture. It should be noted though, that environmental gains are seen as more significant for rural tourism than other forms of alternative tourism.

Respondents were divided in their views on the impact of the development of rural tourism, with a significant majority (66%) believing that it has a positive impact. The 34% who though it would have a negative impact qualified their answer by explaining that this was because there is presently no systematic official approach to the development of rural tourism.

Table 1. Perceived advantages of Alternative Forms of Tourism (%)

Profit	23
Elongation of the tourism season	15
Development of Chania Prefecture	13
Promotion of the area	9
Environmental issues	8
Job opportunities	6
Quality tourism	5
Preservation of traditions and customs	4
Increase of agricultural income	3
New incentives for tourists	2
Development of Chania countryside	2
Return of young people to countryside	2
Employment throughout the year	2
Foreign currency	1
Don't know	5

Table 2. Perceived advantages of Rural Tourism Development (%)

Profit	16
Elongation of the tourism season	15
Promotion of the area	12
Man near nature-Environmental issues	11
Development of Chania countryside	9
More job opportunities	7
Increase of agricultural income	6
Promotion of Cretan products	5
Development of Chania Prefecture	5
Return of young people in the countryside	4
Quality tourism	3
Preservation of traditions and customs	2
Creattion of new businesses	2
New incentives for tourists	2
Don't know	1

Another issue discussed in the course of the interviews concerned respondents' perceptions of who is the primary beneficiary of the provision of rural tourism.

A large majority (63%) thought that everybody would benefit, while 27% thought it was the local community, followed by 6% who stated that tour operators would gain from rural tourism development, and finally 4% believed that only businesses would benefit. Slightly more than half (54%) of the respondents thought that there was a demand for rural tourism opportunities, with the rest responding negatively.

Table 3 below contrast the perceptions of the travel agents as to what types of alternative tourism should be developed in the Chania Prefecture with the distribution of demand expressed by the actual/potential tourists who have approached these travel agents.

Table 3. Appropriate Alternative Forms of Tourism for Chania Prefecture & Level of Demand for Alternative Forms of Tourism

Appropriate alternative forms of Tourism for Chania Prefecture	%	Level of demand for alternative forms of tourism	%
Rural tourism	32	Rural tourism	30
Mountainous tourism	17	Mountainous tourism	17
Eco-tourism	15	Eco-tourism	20
Marine tourism	9	Marine tourism	10
Jeep Safari	7	Jeep Safari	2
Convention tourism	5	Convention tourism	5
Cultural tourism	4	Cultural tourism	5
Sports tourism	4	Sports tourism	–
Religious tourism	2	Religious tourism	4
Cycling tourism	1	Cycling tourism	–
Don’t know	4	Don’t know	7

It is interesting to observe that the travel agents and tourists agree on the number one and two priorities i.e., rural and mountainous tourism. It is equally interesting that they disagree on the priority order (taking under consideration the percentages) of the other forms of alternative tourism that the questionnaire asked about. This Table illustrates some confusion as to what should be included within the category ‘alternative tourism’, as travel agents include jeep safari. Similarly, it is surprising that travel agents advocate the development of sports and cycling tourism when there is no apparent demand from tourists.

Table 4 shows the travel agents agenda for the local authorities.

Table 4. Local Authorities Contribution to Alternative and Rural Tourism Development (%)

Organize more advertising campaigns through media and Internet	30
Develop basic infrastructures	16
Fund local tourism businesses	13
Better organization of the local tourism industry	12
Promote the advantages of Chania Prefecture	10
Promote alternative and rural tourism products through Internet	5
Participation in international tourism exhibitions	4
Provide motives to young people to get involved with rural tourism	1
Promotion of alternative and rural tourism products through travel agencies	1
Contribution and support form the Travel Agencies Association of Western Crete	1
Measures for environmental protection	1
Local authorities can do many things but they do nothing	6

It can be seen that, not unsurprisingly, by far the highest priority (30%) is to 'organize more advertising campaigns through media and internet'. The next four priorities fall far short of the first in terms of the number of travel agents advocating it, but nonetheless they are considered important by respondents, particularly the need for an improvement in basic infrastructure. Respondents pointed out that the realization of the second priority would benefit everybody, not just the tourists. While only 6% expressed the conviction that local authorities would not take the actions required this, worryingly, was implicit in the responses of most respondents.

Conclusions

The aim of this paper was to establish the extent to which travel agencies in Chania Prefecture contribute to the demand for and therefore the development of rural tourism in their area. The findings of this research show that they are keen to see the development of rural tourism so that they can offer such opportunities in parallel with their current activities, as such a development would increase their profitability. Nevertheless, they cannot be characterized as 'agents of change' for rural tourism since they do not embrace the idea of driving this change themselves, due to several perceived negatives mentioned during their interviews. These include the hassle of dealing with individual tourists in contrast to groups, which are provided by tour operators and in their opinion are more profitable and easier to manage, and the existing poor infrastructure and lack of provision and coordination in the local tourism industry.

Travel agents share the belief that rural tourism development should be driven by the local authorities as they should be responsible for this type of development. Nonetheless, most of them seemed negative or even frustrated as they consider that local authorities are not showing the amount of interest that they should, nor taking the appropriate actions in order to adequately develop and promote Chania Prefecture as a well known and competitive rural tourism destination. They all agreed though that there should be rational and mutual cooperation between the public and the private sector in order to realize the maximum potential of the Chania Prefecture as a rural tourism destination. Our respondents consider local authorities as the “magic key” for the proper functioning of the local tourism network, starting with the setting of realistic and achievable targets.

In our opinion, Chania Prefecture should be rationally developed in order to promote rural tourism as an alternative pole of attraction, centered on its natural and cultural environment and at the same time providing a variety of activities for “rural tourists”. This should be seen as complimentary to, not in competition with, the existing mass tourism offer.

The promotion of rural tourism should be a priority for Chania Prefecture as this would contribute to the diversification, enrichment and competitiveness of the local tourism product as well as to the elongation of the tourism season which is a major issue for the economy. The results of our research indicate that there is an unsatisfied demand for rural tourism in this specific destination.

However, the development of rural tourism in Chania Prefecture should not be considered a panacea that would solve all the problems of the local tourism network, but with proper and rational research, design, planning, and implementation various of the concerns caused by mass tourism could be decreased to a significant level, along with the benefits that rural tourism would offer to the local communities.

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BRANDING A DESTINATION IDENTITY – A CONCEPTUAL FRAMEWORK

Abstract

Globalization has been playing a big role by mainly diminishing traveling barriers between countries. This trend had brought also an increase in competition between countries to identify and to distinguish themselves and to define how they want to be perceived by the tourists. In this case, developing a clear destination brand identity is crucial for success. Brand identity and brand image are two concepts that are related to each other but their meanings are different. There are several studies from the demand side concerning with destination brand image. Conversely, there is a lack of studies conducted in destination brand identity by considering the supplier side. Thus, the main purpose of this study is to investigate the brand identity creation from the supplier side and develop a conceptual model based on theoretical and empirical analysis.

Keywords: Destination branding, destination identity, Albania, strategic brand analysis, supplier side

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Introduction

International tourism, which is major component of international trade, can be used as a strategy for economic development in developing countries (Jafari, 1974, p. 237–245). In highly competitive world economy, an enormous role is played by global tourism environment where developing a clear state identity is the key for being successful in this sector (Crockett and Wood, 2004, p. 185). This global tourism environment also offers likelihood for developing countries to leave the poverty cycle by a global brand formation and maintaining a continuous wealth-creation performance (Morgan, Pritchard and Pride, 2004, p. 29).

In tourism management and marketing, Schubert, Brida and Risso (2010, p. 377) clarify the role of tourism as a positive influence on the long-term growth of small economies through various channels, e.g., foreign exchange earnings, positive impacts in investments, human capital gatherings and stimulators in various industries. Thus, focusing on tourism sector is crucial for developing countries. Tourism industry's competitiveness has a rising trend and calls for marketers to create a center of attention for consumer-travelers (Pike and Ryan, 2004, p. 333). This issue also has reflections in tourism and marketing researches. During the last five years, place branding has been one of the newest research areas (Moilanen and Rainisto, 2009, p. 8), in spite of great popularity of branding studies. The implication is that destinations are now in a challenge of branding. Indeed, destinations can be counted as amalgams consisting mainly of tourism products and they serve combined incentives to travelers (Buhalis, 2000, p. 97), so destination branding involves branding of these products to consumer-travelers. Particularly concentrating on destination researches in branding and tourism literature, there are not many studies deliberating mobilizations and implementations through how local support can be analyzed and provided for a brand (Ooi, 2004, p. 108). This fact proves that exiguous studies implemented in destination identity compared to destination image. Pike (2009, p. 861) indicated three research areas, which are needed in destination branding: “destination brand identity development”, “destination brand positioning” and “destination brand equity measurement and tracking”. The sequence of these research areas also designates process of establishing a destination brand. Besides, Go and Konecnik (2008, p. 178) states that demand side perspective has been considered by vast numbers of researchers in destination studies and there are still research gaps concerning with identifying a brand for destination. Associating what Pike (2009) and Go and

Konecnik (2008) point out, brand identity development should be investigated more in order to contribute to established theories in the literature. Aaker and Joachimsthaler (2000, p. 44) constructed a planning model for analysis, development and implementation of brand identity. Prior to development and implementation process, conducting strategic brand analysis (customer, competitor and self-analysis) is advised to present required features for planning. In attempt to highlight constructing tourism destination brand identity via supplier side, Go and Konecnik (2008, p. 179) introduced a theoretical framework for strategic brand analysis by adjusting brand identity planning model (Aaker and Joachimsthaler, 2000, p. 44). Slovenia was the case in that research and fundamental point of the view was formed by considering the supplier side. This framework matches with Pike's (2009, p. 860) notification on concerning research gaps in brand identity construction in relation to supplier side perspective. However, Go and Konecnik (2008, p. 181) emphasize on the need for further improvements in practical and theoretical level. This study appropriately focuses on developing a new strategic brand analysis within application to the tourism destination identity framework by considering again supplier side perspective but in different country range. For the incorporation of brand identity in marketing, Alsem and Kosteljik (2008, p. 913) explain that the identity paradigm will bridge the gap among marketing science and practice; and might provide a balanced marketing paradigm mutually referring to supply and demand side. This statement also proves that identity-based brand analysis by means of how suppliers identify their brands will contribute to both practical and theoretical level.

Brand identity/image concepts

Melin (2006) argues that the brands identity is what gives the brand meaning, what it stands for, and what makes it unique. The brand identity can be changed and repositioned over time if the identity is for example vague or hazy. Brand identity is nothing that can be defined, it varies in every business and it is up to the leaders in the organization to define what the brand identity is for the company. It could for example be described as the characteristics that define how a business through their product or service create added value in the world. tA brand is a symbolic embodiment of all the information connected to the product and serves to create associations and expectations around it (Aaker and Joachimsthaler, 2000, p. 40).

Brand identity collectively means widespread aspects by sending messages across products, slogans and actions (Kapferer, 1998, p. 91). In case of any need for modification of these aspects, Perry and Wisnom (2003, p. 5) emphasize on brand identity that it is composed of "controllable elements" designed for services, products or organization. As the notion of identity in branding is a current issue, many previous researches have been mutually conducted by academicians and practitioners (De Chernatony and Riley, 1998, p. 420). According to Kapferer (1998, p. 17), a brand cannot merely be considered as a product; it reflects product meaning by defining its identity. Hereby, brand identity is crucial for value transformation to receiver. Drawing attention to the importance of brand identity, Perry and Wisnom (2003, p. 5) also claim that "image is nothing without strong identity".

The perception of a brand from a customer perspective is what is identified as brand image (Hedin et al. 2009). A brand does not have one specific image, but rather multiple images, some more predominating than others that are generally accepted in the eye of the public. The idea of brand image is to find the most powerful images of the brand and develop these in favor of the business through strategic communication (Aaker 1991).

Through strategically working with the brand image the company aim is to ensure positive customer associations with the brand, by using three concepts which are perception, cognition and attitudes (Keller 1993). Hedin et al. (2009) found these three concepts the most important due to the fact that the customers perceive the brand, they cognitively evaluate the brand and form attitudes related to their perceptions and cognitive evaluations.

The feelings and images that are associated with a brand are strong purchase influences, when customers purchase a product they do not strictly buy the commodity but also the image that is connected to the brand (Aaker 1991).

Brand analyses

On the purpose of being effective, a brand should be capable of separating itself from others in the market by reflecting its identity that needs to resound through customers. Indeed, current and forthcoming ability of organization should be considered in those of capability elements (Aaker, 2002, p. 76). In that case, Cravens and Piercy (2009, p. 298) proposed "Strategic Brand Analysis" which consists of "market and customer", "competitor" and "brand" analysis. This analysis considers that analyzing the brand is crucial since a brand might have a particular product, several products, a product line or portfolio of product lines. As brand reflects all dimensions, the identity should be analyzed in strategic level. Additionally, Aaker and Joachimsthaler (2000, p. 44) established "Strategic Brand Analysis" which is emphasized a lot in branding studies (De Chernatony and Riley, 1998; Ghodeswar, 2008; Go and Konecnik, 2008; Pike, 2009). This analysis facilitates to figure out insights of the customers, competitors and the brand by covering needful aspects for building identity of a commercial brand. Compared to Cravens and Piercy's framework, it is believed that Aaker and Joachimsthaler's analysis is more suitable for conducting a research of identity in branding. First, the analysis is assumed as an initial step for brand identity planning and then the concern passes through development and implementation of identity.

All studies related to tourism, in partnership with the public and civil initiatives being carried out demonstrate until today, in determining the quality and quantities of the destination. The only media planning and carrying out all the functions of similar public authority, is now functions jointly conduct with the civil initiative. Ability to obtain this transformation assumed the responsibility of all sectors of today's managers (political will, tourism bureaucracy and industry organizations) the driving force of local civil initiative, the correct formula without waiting for a structure that must implement. Planning strong local civil initiatives in the process, should aim to be active. Tourism is very versatile and is a dynamic industry and services system, sector interest and support from the state plans and policies related to certainly be. Branding destinations for government, private sector, and studies of public institutions in a coordinated manner is required.

Destination brand

For current consumer-travelers, preference for holiday destination is a major point, which is associated with hardly finding time for vacation and allocating earned money (Morgan, Pritchard and Pride, 2004, p. 4). This holiday destination can be country, city or region. As cultural, political, commercial and social operations now exist in a single global market, all destinations have to compete in order to get concerning shares of those (Anholt, 2009, p. 6). This observation is supported by The World Tourism Organization since the development of tourism destinations will be the same as fashion products in 21st century (Morgan, Pritchard and Pride, 2004, p. 4). *How interesting the destination is considered to be* is crucial aspect for attractiveness of any place and such a strong brand for destination contribute to marketing efforts in tourism (Moilanen and Rainisto, 2009, p. 11).

Buhalis (2000, p. 97) states that destinations, which have set of suppliers and services, are now recognized as sort of brands by tourists. Public administrations now consider branding destinations as an essential phase (Hankinson, 2009, p. 97) since repositioning the destination in competition entails large investment and great amount of time (Pike, 2009, p. 864). Thereby, destination branding is comprised of supplementary marketing activities. Blain, Levy and Ritchie (2005, p. 337) define destination branding as a group of these activities by dividing into four components:

- “Supporting formation of a name, logo, symbol or word mark for suitable identification of destination and its differentiation,
- Expressing the expectation based on tourist experience with exclusive associations of the destination,
- Consolidating and reinforcing the relationship among the destination and travelers within suitable servings,
- Concentrating on decreasing perceived risk and search costs of travelers.”

Pike (2009, p. 857) accordingly clarifies these marketing activities as destination branding’s involvement in both demand and supplier side perspectives. It is absolutely concerned with different products (supplier side) and sights (demand side) for creating a cohering source for destination (Ooi, 2004, p. 110). This source includes jointly pulling the destination, providing cooperation among several organizations and motivating tourists and tourism agencies (Ooi, 2004). In that case, destination cannot be considered as a single product. It is different from other products due to having set of several components, serving touristic attractions and entertainments, consisting of constant cultural values and natural environment (Morgan, Pritchard and Piggott, 2002, p. 337). Buhalis (2000, p. 98) also points out that the mixture of tourism products puts marketing and management of destinations in difficult position during production and development processes since a destination brand reflects local people’s interests in that area instead of belonging to visitors. Uniqueness is therefore distinctive element for a destination brand compared to corporate brand.

Albania as a case study

Even though Albania has gained its independency in 1912, researches have revealed that this country has passed through different ancient civilizations and the antecedents going back to the middle and late Palaeolithic period (100,000–10,000 BC), Illyrian, Roman, Byzantine and Ottoman periods (Pollo and Puto, 1981, p. 1–4). Albania was announced as an independent state with the end of the Balkan war in 1912 and its formal borders were acknowledged during "London and Peace Conference" in 1913 and 1921 (Draper, 1997, p. 126–128). In several time intervals, the country had surpassed different regimes from a short life monarchy to being a republic under Italian ruling (Pula, 2008, p. 574–574). The country turned into Socialist People's Republic of Albania in 1945 and this regime was lasted until 1991 (Schwartz, 2009, p. 51–52), when Albania was part of the subgroup that communism was more strict in elsewhere of Eastern Europe (Griffith, 1963. p. 146).

Transition from centrally planned economy, which is focused on heavy industry, to liberal market economy cannot prevent political and socio-economic instability at all. Unfavorable competitive position of heavy industry infrastructure led to development of Albanian service sector, including tourism industry that was untouched before (Ivy and Copp, 1999, p. 425). Accordingly, exploiting tourism industry by focusing on its potential covering historical and cultural heritage will assist in creating both a niche market (Hall, 2000, p, 42) and reconstructing the fragile economy of a country, such as Albania.

Methodology

The case study is considered as the most appropriate for this study since Eisenhardt and Graebner (2007, p. 30) clarifies that case study submits relevant research strategy in building a conceptual model and developing theory among these different approaches. The nature of this research brought on selecting qualitative single case study by gathering primary data to conduct the exploration in the field of destination brand identity. In addition to obtained knowledge from the literature, documentation and practical sources; the empirical research pursued the framework of qualitative methods.

The interview was established in the form of six open-ended questions and each question had a sub-question depending on the answers. The participants were free to respond in any preferred way since the depth-interview technique was applied. Nargundkar (2008, p. 39) clarifies that the open-ended questions in depth interview provide rich data due to depending on the face-to-face and semi-structured discussion with minimized restrictions. In this research, ten semi-structured depth interviews were conducted. As the main purpose of the research is to develop a new theory (Eisenhardt and Graebner, 2007, p. 27), the theoretical sampling was seen reasonable by the authors. Accordingly, the respondents in the study were chosen according to their role in constructing and developing a destination brand identity in the case of Albania. Two of the representatives were from government organization, three of them were from non-governmental organization, three from private tourism agencies, whereas two of them were from academic environment related with economic, marketing and tourism of Albania.

Results and analysis

The respondents elucidated several important strategic factors for developing Albanian brand identity. Accordingly, country differentiating strengths and comparison of market perception can be used as driving sources for attracting more and various tourists. Consequently, new segmentation based on historical heritage, geographical position and natural beauties will contribute to Albania in terms of reputation, financial gains and international connections. Transferring the identity with respect and protection into current time can provide unique identity elements for the destination. The usage of various communication channels in tourism market should be considered to reach more tourists. Long-term strategies with action plans are needed. Accordingly, repressive laws are required for the raise of environmentalist movements in order to protect the natural resources such as lakes and rivers. Direct governmental supports for sustainable development of tourism are crucial since many private business enterprises act different based on concerning interests in the market and it damages the national tourism. As regional projects with neighbor countries will raise the market share, more practical implications of the projects should be fulfilled by government. The infrastructure should be improved by the investments of national and regional governments. Superior education of tourism might present professional integration of the youth with the tradition and culture. Desired quality in services should be considered as an initial tourism effort of the destination and the government should encourage private entrepreneurs to invest in tourism.

Branding in destination identity context – conceptual framework

Empirical data was analyzed with theoretical data and specific attributes of destination were detected. *Internal Analysis of Stakeholders* is suggested through four main aspects with combining aspects. Accordingly, the order of analysis refers to "local people", "local enterprises", "regulators" and lastly "existing brand image". Internal analysis is correspondingly expected to bring central elements to core identity that was discussed by Aaker (2002). Local people and values are combined together on account of the role of values in the construction of destination identity. Following analysis of local enterprises has two combining aspect consisting of environmental concerns and values in relation with their capabilities of saving and presenting them. Analyzing the regulators, on the other side, consists of five combining aspects crucial for internal stakeholders: tourism strategies, tourism education, tourism infrastructure, environmental concerns and political stability/instability. Moreover, it mainly focuses on the role of internal analysis in macro level. Lastly, evaluating existing brand image outlines the importance of considering the aspects, geographical capabilities and historical heritage, while conducting internal analysis. *External Analysis of Stakeholders* is concentrated on three main aspects: "trends in tourism", "communication and promotion" and "destination image versus satisfaction". In addition, analyzing the trends in tourism can be conducted by focusing on both needs and segmentation. As the sequence of analysis depends on transmission of identity to image, it contributes to the enlargement of identity which can also be said as extended identity (Aaker, 2002). All these three aspects are supposed to define the route of the owners of destination brand in order to attract more tourists. The main aspects of *Tourism Competition Analysis,* are "brand identity" and "brand image". Brand identity's major combining aspect is tourism management that comes from the analysis of three other sub-aspects: "investments", "capabilities" and "natural resources". Brand image formed as a result of this analysis is integration and interaction of both "tourism gap" and "competitors" strategies". Accordingly, tourism competition analysis will result in deeper evaluation and understanding of successful competitor destinations in tourism market. While this model, “Strategic Brand Analysis in Destination Identity Context”, is suggested as an initial step for constructing or developing destination identity, it is believed that the results are applicable for the analysis of destinations identity in global tourism market.

Conclusions

This study results that establishment of strategic brand analysis by considering destination identity context is propitious for theoretical contribution to the literature. While the analysis is useful to provide initial results for identity development of destination brands, suggested processes and aspects are assumed to be useful and beneficial in terms of marketing destinations in tourism industry. Hence, the paper is systemized in that the way of what and how the owners of destination brand should perform in order to position the destination as a strong brand in tourism market.

“Branding”, what it will be like a destination branding. If the answer to a bank, cosmetic product or car brand to be done to create sessions that branding is no different. Just a product of being in integrated more carefully and in detail the design of features given by is required. Branding, who live under the requirements of some concept. One personality, slogan, symbol, logo, color, music, but most of all he all other competitors to make a separate point must be a difference. Based on these features, a possible public relations effort on customers created with the help of emotional bag, with repeated purchases take place, a customer with a brand addict. These stages regardless of the desired destinations are just advertising the brand the result will be frustration and that they try to market their products with the image it will be damaged if not a destination. To be permanent, brand components to customers with the support of public relations must pointed out.

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POSSIBILITIES TO OVERCOME THE SEASONAL EMPLOYMENT IN TOURISM IN BULGARIA

Abstract

In the beginning of the 21st century tourism is growing in importance and is becoming one of the structural determinative sectors in the economies of a number of countries. Experts' analyses and forecasts place tourism as one of the strategic branches for the stable growth of the Bulgarian economy. The development of tourism influences directly – through the number of people employed in the branch itself and indirectly – through its multiplicative effect on the condition and the tendencies in employment on national and regional levels. This influence becomes even more important in the context of the global financial and economic crisis, which leads to serious problems and structural disproportions on the labor market in many countries including Bulgaria. Since 2008 in Bulgaria there have been serious negative tendencies with respect to the level, dynamics and structures of employment. At the same time the level of employment in tourism has remained stable and until this moment there is no tendency for it to decrease which distinguishes the sector in the context of the negative processes on the labor market in the country. One of the significant problems for the development of tourism in Bulgaria is the seasonal employment. As a result of the seasonal causes the stream of tourists is characterized with high territorial, seasonal and product monostructuralism which has negative effect on the end results of the activities of tourist companies and on the effective year-round employment of human resources in the sector. The results from the research done by the authors show those consumer requirements for the offered hotel product are the creation of attractions, supplementary services and mainly for a combination of the traditional holiday at the seaside or in the mountain with different forms of alternative tourism. For the reduction of the influence of the seasonality and for a provision of a stable year-round employment in tourism several tested and exemplary models for a complex hotel product in mountain and sea regions are offered.

Keywords: employment, tourism, hotel industry, seasonality, tourist product, models

Introduction

In the beginning of the 21st century tourism is growing in importance and is becoming one of the structural determinative sectors in the economies of a number of countries. Tourism makes up over 11% of gross domestic product worldwide and its annual turnover has increased from 1.9 trillion $ in 1987 to 6 trillion $ in 2007 (Национална стратегия за устойчиво развитие на туризма в Р България 2009–2013, ДАТ, София, с. 4–12). Tourism is one of the most dynamically developing sectors of Bulgaria's economy. According to data from the Ministry of Economy, Energy and Tourism for the period 2006–2011 the number of foreign tourists visited Bulgaria has increased from 5,158,117 in 2006 to 6,328,023 in 2011 or for a total of 22.7%. For 2011 compared to 2010 the increase was by 4.6% (MIET, 2012). Revenues from international tourism in the current account of the payment balance according to BNB increased from 2063.8 million Euros in 2006 to 2747.1 million Euros in 2010. Only for the period January–November 2011 income from international tourism amounts to 2,752.6 million Euros which is with 3.8% more compared to the same period in 2010.

Several expert analyses and forecasts point out tourism as one of the strategic branches for a stable development of the Bulgarian economy. Reasons for that are the dynamic development of tourism in the last two decades as well as the country's exceptionally rich resource potential. The tourist resources in Bulgaria allow the development of the mass tourism and of different forms of alternative tourism. The country is notable for its very favorable natural resources – tourist resources of the relief; climate resources; waters; bioresources. Because of the crossroads location and during the historical development on Bulgaria's territory there are extremely valuable and diverse anthropogenic tourist resources; historical and archaeological resources; architectural, ethnographic and religious resources.

In the last few years in Bulgaria many amusement parks, business, cultural and sport resources for the development of tourism have been built.

The development of tourism has a serious multiplicative effect on the development of other sectors of the economy like agriculture, transport, services, food and flavor industry and others. An important premise for a stable development of tourism is investment in the building of modern infrastructure, which is connected to other sectors like construction, water and wastewater sector, energetic etc.

In this way the development of tourism influences directly – through the number of people employed in the branch itself and indirectly – through its multiplicative effect on the condition and the tendencies in employment on national and regional levels. This influence grows in importance in the context of the global financial and economic crisis, which leads to serious problems and structural disproportions on the labor market in many countries including Bulgaria.

Problem analysis

Fundamental data concerning the state and dynamics of the labour force in Bulgaria for the 2003–2010 period are presented in Figure 1 (note: At the time of the publication of the article official statistical data for 2011 has not been published). From the data on the number of people employed in the country it can be seen that from the whole researched period 2003–2010 the highest number of people employed was in 2008. With the beginning of the financial and economic

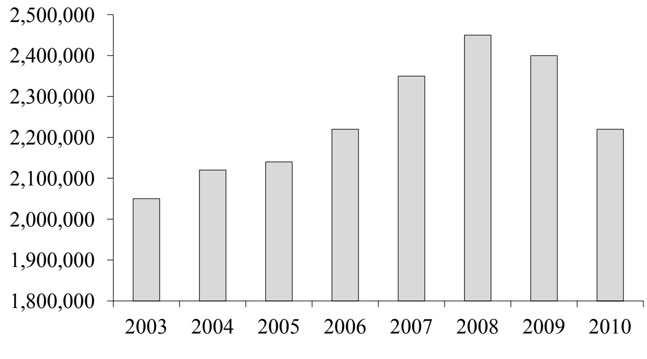

Fig. 1. People employed in Bulgaria for the period 2003–2010

Source: NSI (National Statistical Institute).

crisis after 2008 a process of a decrease in their total number in the public and private sectors is observed.

That is why in the analysis of the condition of the employment in the research the attention is focused mainly on the period 2008–2010. In 2009 compared to 2008 the decrease is with 62,219 people or by 2.52% and in 2010 compared to 2009 it is with 162,026 people or by 6.74% on an annual basis. Even more indicative of the advancing stagnation on the labor market is the decrease in the number of people employed in 2010 compared to 2008 with 9.09%.

The value and dynamics of the coefficient of the economic activity of the population (note: according to the methodology established by the NSI, the coefficient of economic activity for the population is determined for 15 or more years) are presented in Figure 2.

From the data it is clear that according to this index after 2008 a negative process of a decrease of the value by 1.8% can be observed. The coefficient of employment (Fig. 2) is also decreasing from 50.8% in 2008 to 46.7% in 2010 or by 4.1%. Therefore, it is noted that the decrease in the coefficient of employment anticipates the decrease in the coefficient of economic activity.

The values of the coefficients of economic activity of the population and of employment when compared show that Bulgaria is among the countries with most unfavorable processes in this respect, especially concerning the coefficient of the economic activity of the population.

Fig. 2. Value and dynamics of the coefficient of economic activity of the population and the coefficient of employment of the population for the country

Source: NSI.

Very big territorial disproportions in the values of the main indicators for measuring the employment levels are apparent. These differences are caused by the big irregularity in economic levels in the different regions and municipalities. Especially difficult is the problem with employment on the territories of the rural municipalities. A negative process for the reduction of the number of people employed in all regions is observed. The same tendency is found out in a more detailed analysis of the information according to administrative districts (NSI, 2012).

The analysis of the coefficient of economic activity of the population in the six planning regions confirms the negative process for a decrease in the level of employment on regional level too. For the whole researched period 2003–2009 the lowest value is the coefficient in the North – Western region, which according to official data is the most underdeveloped region in the EU.

For the period 2008–2010 a similar process of a decrease in the value and dynamics of the coefficient of employment is observed (Fig. 2). The biggest decrease is in the South – Central region – by 4.9% followed by the North – Easter by 4.6% and the North – Western – by 4.5%. The coefficient of employment for the whole researched period 2003–2009 is again the lowest in the North – Western region.

From the short analysis made on the indices in connection to the employment the following conclusion comes up: in Bulgaria after 2008 serious negative tendencies according to the level, dynamics and structures of employment are observed. The values of all indicators change to negative direction for the whole country as well as for the separate regions. This requires a development and application of a system of macroeconomic and sectoral policies for stimulation of economic growth and from there on an improvement of the condition and the tendencies on the labor market. Apart from that a realization of adequate and efficient measures and programs connected to the stimulation of employment in all aspects is needed – altogether for the country, by different industries and subindustries, by regions, as well as for the surmounting of the structural problems of employment – according to age, profession, education and others.

In accordance with the above discussed big resource potential for the development of tourism in Bulgaria and its meaning for the economy of the country it is necessary that an analysis be made of the level and dynamics of employment concretely in the sector.

The seasonal fluctuations cause uneven load on the tourist material base, exercise negative influence on the tourism and the national economy and give rise to problems connected with the employment of people working in the tourist industry (Георгиев and Мадгерова, 2010, p. 225). Apart from this the seasonality can lead to serious economic and social problems such as unstable labor force caused by the temporary employment in a certain destination (Goeldner and Ritchie, 2003).

Hotel – keeping is a business activity whose effective realization has an important meaning for the development of the economy and the tourist industry. It is part from the economic system of tourism. This business is an indefeasible component of the tourist industry and it contains in itself production and unproduction activities, aimed at the creation of goods and services for the tourists (Александрова, 2002, p. 220). Without this component it is impossible to create and realize the complex tourist product, in whose foundation take part enterprises from different sectors of the tourist branch – intermediary, transport, hotel, restaurant and others. This component together with the other business activities from the sphere of tourism to a great extent furthers the realization of the link between the tourist resources and their consumers.

In tourism, which is a very complicated activity, prevail services and more specifically among them – hotel – keeping ones. In this connection many authors point out that in modern tourism one of the main economic activities is exactly hotel – keeping and without its creation and development it is impossible to develop tourism (Tsonikov, 2007, p. 9). Some authors stress that hotel – keeping is in the foundation of tourist travels due to the fact that it is impossible to organize tourist travels without provision of lodging, food and various entertainments (Тончев and Димов, 2001. p. 36). Therefore, the conclusion can be made that hotel – keeping is in the foundation of Bulgarian tourism and simultaneously actively takes part together with other industries in the satisfaction of common needs.

The national statistics in Bulgaria measures the number of people employed only in hotel – keeping and in the restaurant business. Because of this and big meaning of hotel – keeping and the restaurant business for the development of tourism the analysis of employment in the research is based on information about the sector of hotel – keeping and the restaurant business.

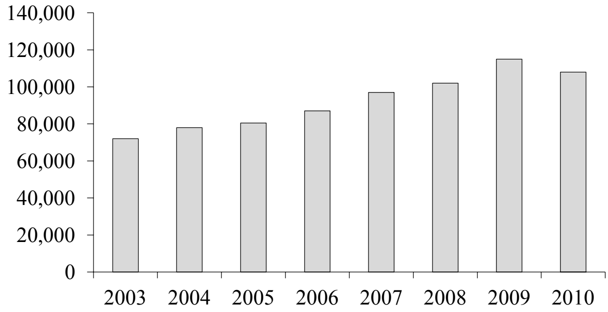

Fig. 3. Number of people employed in the sector of hotel – keeping and the restaurant business for Bulgaria for the period 2003–2010

Source: NSI.

From the data from Figure 3 it can be seen that for the whole researched period 2003–2010 with the exception of 2010 the total number of people employed in the sector of hotel – keeping and the restaurant business has been stably increasing.

It is highest in 2009 with an increase of 6,733 people or 6.18% compared to 2008. In 2010 compared to 2009 the number of people employed in the sector has increased with 4,777 or by 4.13% but compared to 2008 there is an increase with 1,956 people or 1.80%.

A matter of importance is also the analysis of the relative share of the number of people employed in the sector compared to the total number of people employed for the whole period (Fig. 4).

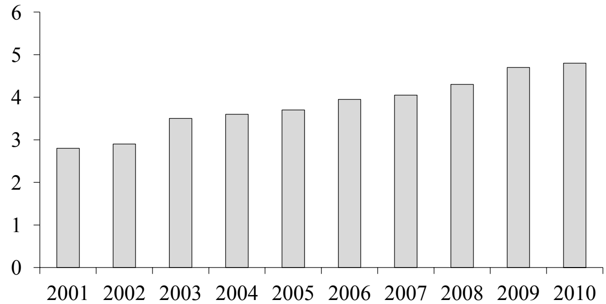

Fig. 4. Relative share of people employed in the sector compared to the total number of people employed for the period 2003–2010

Source: NSI.

From the data it is clear that for the whole period 2003–2010 a clear-cut tendency is observed for a continuous increase in the relative share of number of people employed in the sector of hotel – keeping and the restaurant business as part of the total number of people employed in Bulgaria – from 3.61% in 2003 to 4.94% in 2010 which is 1.4 times. Consequently, the number of people employed in the sector of hotel – keeping and the restaurant business grows with a surpassing tempo compared to the total number of people employed in the country. This shows that the employment level in tourism remains stable and at this time there is no tendency for a decrease which differentiates the sector in the context of the negative processes on the labor market in the country.

Apart from that the rich and various tourist resources in Bulgaria are not concentrated only in some of the regions in the country. This allows the development of tourism on the whole territory of Bulgaria including in the most remote and underdeveloped regions. They have an important meaning for the decrease of the influence of the seasonal factors of a certain territory. The level of their attraction and ability to be used according to the season influence the formation of the size of the tourist streams and consequently influence the use of the tourist base in different seasons. The presence of a certain type of resources and the way of their combination influence the formation of the different types of tourist products and their assortment during the different seasons which determines their attraction for the tourists and the other visitors of the hotel.

The human factor in tourism is "an inseparable compound part of the production process which turns it into a factor for the provision of the package – services, the quality and variety of the product" (Тончев and Милева, 2006, p. 122). The dynamic development of tourism leads to an increase in the number of people employed. Therefore, the tourist industry is determined as „the biggest generator of work places" (Кичева, 2008, p. 32). That is why the conclusion that tourism is turning into a main factor for the stable regional development, for the increase in the level of employment and overcoming of the structural employment disproportions grows in importance.

One of the significant problems for the development of tourism in Bulgaria is the seasonality because it exercises a big influence on the economic results from its activity and from there on the condition of employment in the sector. Seasonality is an occurrence which to a very large extent affects the realization of tourism and respectfully the economic activity of the enterprises of the tourist industry. It also affects substantially hotel – keeping because of its high capital absorption ability.

As a result of the seasonal reason the tourist stream in Bulgaria is characterized by high territorial, seasonal and product monostructuralism with 70% of the activities concentrated on less than 5% of the territory of the country and with large seasonal fluctuations. The summer sea tourism (52.4%) and the winter ski tourism (16.2%) form the main part of the supply of the Bulgarian tourist product and to a large extent form the outlook of Bulgaria as a destination among the target group consumers of the mass type of tourist products (MIET, 2009).

An important meaning for the condition of the hotel business has the year-round loading of its productive capacity and the provision of year-round employment of the personnel. The uneven distribution of the tourist search in the course of the year leads to a decrease of the effectiveness of the use of the material base, the level of income from the sale of services and the final economic results from the activity. This is why the decrease of seasonality as much as possible has a significantly important meaning for the improvement of the economic condition of the enterprises and for a supporting of an optimal employment in the sector. In this sense it is necessary that an analysis be made on the influence of seasonality on the hotel – keeping business. From the data from Table 1, Table 2, Table 3 (note: Tourism (2002–2010) based on data from the NSI acquired from a personal inquiry from V. Kyurova) it can be observed that for the period there is a clear-cut irregularity in the changes of the total number of realized night's lodgings, realized night's lodgings by foreigners and realized night's lodgings by Bulgarians in the hotels. The highest concentration of the total number of realized night's lodgings, night's lodgings of foreigners and of Bulgarians is observed during the main season for the sea vacation tourism. Besides that it is obvious that there is a formation of a weak defined positive tendency for dispersion of the concentration of the total realized night's lodgings, realized lodgings by foreigners and by Bulgarian in the hotels in Bulgaria from the mean season of the sea vacation tourism to the time before and after that.

For the researched there is also an observed increase of the relative shares of the total realized night's lodgings, the realized night's lodging by foreigners and by Bulgarians for the periods January–April and November–December, in other words for the time before and after the main season for the winter mountain tourism.

Table 1. Seasonal concentration of the realized night's lodging in the hotels in Bulgaria for the period 2002–2009

Indices	2002	2003	2004	2005	2006	2007	2008	2009
Main season (July and August)	41.1	42.4	43.2	45.9	43.4	41.1	41.2	42.3
% average deviation for	20.6	21.2	21.6	23.0	21.7	20.6	20.6	21.2
A month from 8.33%	12.3	12.9	13.3	14.7	13.4	12.3	12.3	12.9
Before the main season (May and June)	21.3	21.2	22.9	17.0	21.8	21.0	22.0	21.3
% average deviation for	10.7	10.6	11.5	8.5	10.9	10.5	11.0	10.7
A month from 8.33%	2.4	2.3	3.2	0.2	2.6	2.2	2.7	2.4
After the main season (September and October)	20.4	20.7	18.9	20.4	17.7	19.2	16.9	15.5
% average deviation for	10.2	10.4	9.5	10.2	8.9	9.6	8.5	7.8
A month from 8.33%	1.9	2.1	1.2	1.9	0.6	1.3	0.2	–0.5
Outside the season of the sea vacation tourism and main season and after main season time for the winter mountain season (January and February; March and April; November and December)	17.2	15.7	15.3	16.7	17.1	18.7	19.9	20.6
% average deviation for	2.9	2.6	2.6	2.8	2.9	3.1	3.3	3.4
A month from 8.33%	–5.4	–5.7	–5.7	–5.5	–5.4	–5.2	–5.0	–4.9

The observed differences between the values of the differentiated seasons, the average monthly values and the positive and negative deviations from 8.33%, i.e. from the normal distribution give ground for the conclusion that regardless of the positive changes the relative shares of the total realized night's lodgings, the realized night's lodgings by foreigners and by Bulgarians in the hotels in Bulgaria in the time before, during and after the main season for winter mountain tourism remain relatively low.

As became clear the high territorial, seasonal and product monostructuralism of the tourism stream in Bulgaria has a negative effect on the end results from the activities of the tourist enterprises and on the effective year-round use of the human resources in the sector.

On the other hand, the results from the inquiry research made by the authors shows that the consumer requirements towards the offered hotel product are for the creation on attractions, supplementary services and mainly combination of the traditional vacation by the sea or in the mountain with different forms of alternative tourism.

The expected tendencies connected with the tourist behavior during the period until 2020 come down mainly to the increase of tourist requirements towards the quality, specificity, attractiveness and variety of the tourist services as a main factor for the formation of the tourist behavior and to a direction of the tourist preferences from one destination, which guarantees security and tranquility, to another – from specific forms of tourism like SPA tourism, balneology, hobby and extreme tourism, ecological and rural tourism, sport tourism and others (MIET, 2009).

Table 2. Seasonal concentration of the realized night's lodgings by foreigners in the hotels in Bulgaria for the period 2002–2009

Indices	2002	2003	2004	2005	2006	2007	2008	2009
Main season (July and August)	47.5	48.0	47.9	47.9	49.1	48.0	47.8	49.1
% average deviation for	23.8	24.0	24.0	24.0	24.6	24.0	23.9	24.6
A month from 8.33 %	15.5	15.7	15.7	15.7	16.3	15.7	15.6	16.3
Before the main season (May and June)	22.2	22.0	24.7	23.7	23.1	23.2	23.7	22.9
% average deviation for	11.1	11.0	12.4	11.9	11.6	11.6	11.9	11.5
A month from 8.33 %	2.8	2.7	4.1	3.6	3.3	3.3	3.6	3.2
After the main season (September and October)	22.0	22.1	19.4	20.0	18.1	17.4	16..9	15.7
% average deviation for	11.0	11.1	9.7	10.0	9.1	8.7	8.5	7.9
A month from 8.33 %	2.7	2.8	1.4	1.7	0.8	0.4	0.1	–0.4
Outside the season for the sea vacation tourism and main season and time after main season for the winter mountain tourism (January and February; March and April; November and December)	8.3	7.8	8.0	8.4	9.7	11.4	11.6	12.3
% average deviation for	1.4	1.3	1.3	1.4	1.6	1.9	1.9	2.1
A month from 8.33 %	–6.9	–7.0	–7.0	–6.9	–6.7	–6.4	–6.4	–6.2

In our opinion the combination of the practiced traditional mass tourism, i. e. the mountain (ski) tourism and the sea tourism, with the natural climatic, historical, social and cultural condition allows the creation of a complex hotel product, dependent on the resources, which will most fully satisfy the tourist needs and will have a decisive meaning for the overcoming of the seasonality in the development of the hotel – keeping business.

A big part of the people inquired (around 55%) have chosen the alternative tourism and among them the most significant share is of those who have practiced

SPA and balneotourism (14.2%), cultural tourism (11.9%) and rural tourism (9.0%). The preferences of the people inquired who realize their vacation at the sea (68.1%) or in the mountain (41.3%) prevail. An important meaning has also the analysis of the stability of the consumer expectations towards the vacation place. A considerable part (88.4%) from the people inquired state an explicit wish to realize their vacation on the same place again.

There is a considerable consumer interest for the opportunities of the types of alternative tourism for the realization of a vacation. Only 13.0% from the potential consumers have not chosen any of the types of alternative tourism. The biggest interest is for the products of the ecotourism (37.1% from the respondents), followed by the balneological tourism (32.6%) and the rural tourism (23.9%).

Table 3. Seasonal concentration of the realized night's lodgings by Bulgarians in the hotels in Bulgaria for the period 2002–2009

Indices	2002	2003	2004	2005	2006	2007	2008	2009
Main season (July and August)	26.9	25.8	29.4	28.4	28.0	27.1	27.0	28.6
% average deviation for	13.5	12.9	14.7	14.2	14.0	13.6	13.5	14.3
A month from 8.33 %	5.2	4.6	6.4	5.9	5.7	5.3	5.2	6.0
Before the main season (May and June)	18.8	18.9	17.6	18.3	18.0	17.9	18.3	18.1
% average deviation for	9.4	9.5	8.8	9.2	9.0	9.0	9.2	9.1
A month from 8.33 %	1.1	1.2	0.5	0.9	0.7	0.7	0.9	0.8
After the main season (September and October)	16.5	16.8	17.3	16.4	16.9	17.0	16.6	15.1
% average deviation for	8.3	8.4	8.7	8.2	8.5	8.5	8.3	7.6
A month from 8.33 %	–0.03	0.1	0.4	–0.1	0.2	0.2	–0.03	–0.7
Outside the season for sea vacation tourism and main season and time after the main season for the winter mountain tourism (January and February; March and April; November and December)	37.8	38.5	35.7	36.9	37.1	38.0	38.1	38.2
% average deviation for	6.3	6.4	6.0	6.2	6.2	6.3	6.4	6.4
A month from 8.33 %	–2.0	–1.9	–2.3	–2.1	–2.1	–2.0	–1.9	–1.9

The offered so far tourist product in Bulgaria does not respond to the specified consumer expectations. This is why in the research exemplary models (Кюрова, 2011, p. 182, p. 191) are offered for the reduction of the influence of seasonality and for a provision of a stable year-round employment in tourism. The models are

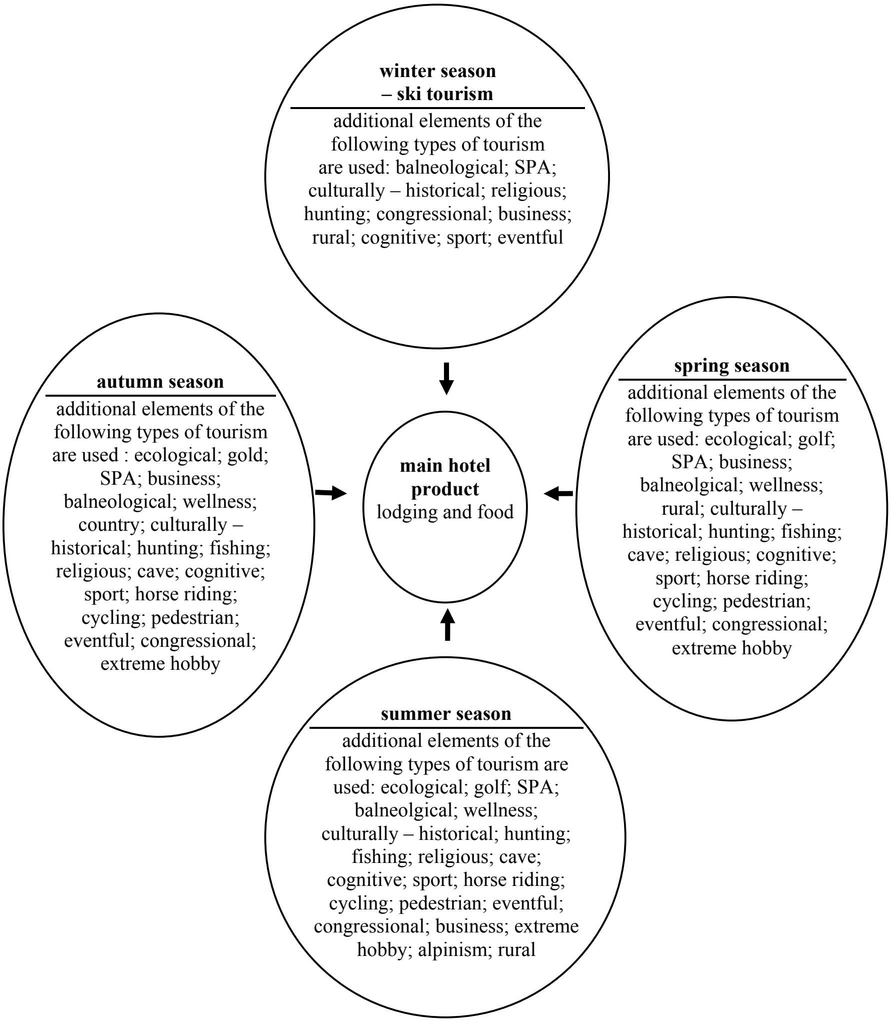

Fig. 5. Model of a complex hotel product in a mountain region

created for regions with typically mountain (ski) tourism and typically sea tourism and have been applied in concrete hotels.

The models are developed on the base of consumer preferences, pointed out in the inquiry research, the defined missing elements in the products in the different seasons and the available resources in the certain region. With their application a two – sided effect can be reached and more concretely:

1. Reduction of the influence of the seasonal factor and increase in the use of the material base year – round and also for its more even load.
2. Provision of a stable year – round employment of the personnel.

The model places in the center the main hotel product which is the main element of the tourist product too and more precisely the lodging and the feeding of the guests of the hotel. It can be combined in a different way with the elements of the products of the different kinds of alternative tourism in accordance with the seasons during which they can be practiced.

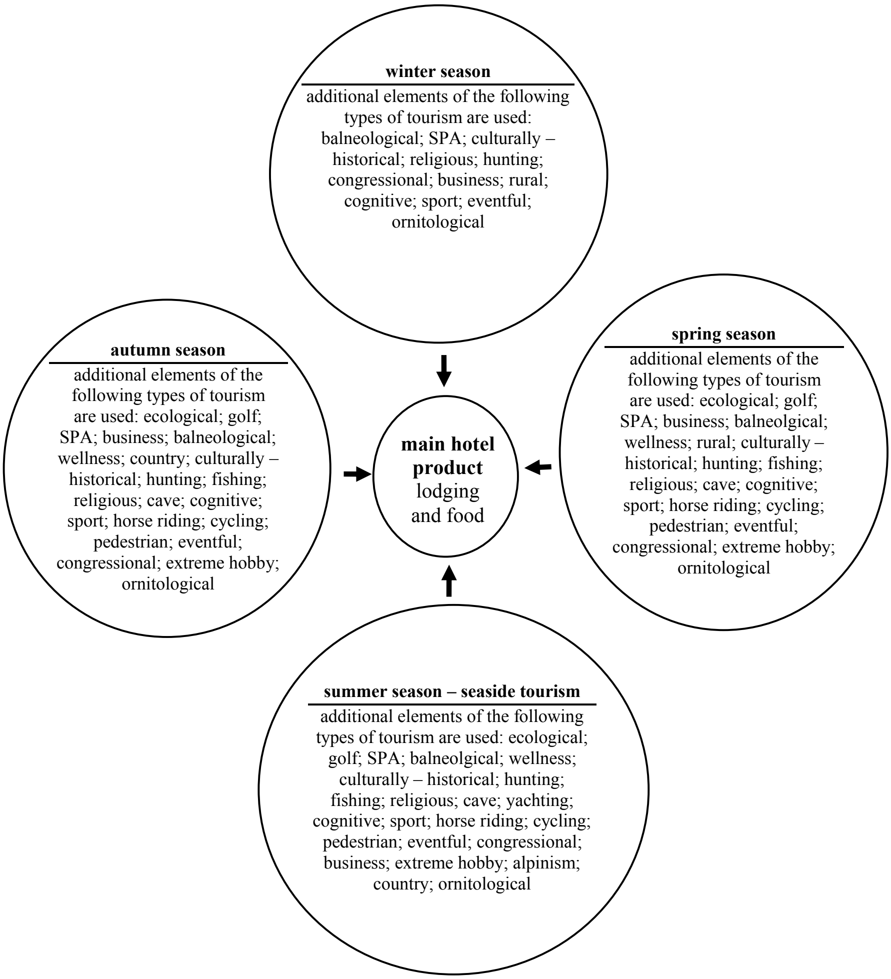

Fig. 6. Model of a complex hotel product in a region with typically sea tourism

The inclusion of these elements enriches the variety of supplementary services offered by the hotel and creates premises for the supply of diverse services packages. Simultaneously several of the elements forming the complex hotel products for the different seasons are identical this is an important precondition for their optimal use and for a reduction of the expenses connected to the creation of the products (Fig. 5).

For the creation of the complex hotel products the resources of the given region for development of the certain type of tourism have been considered.

Analogically to the model of the complex hotel product in mountain regions it is possible to create one for the regions with a typically sea tourism (Fig. 6)

The developed models can help by the taking of adequate and well – founded strategic decisions connected to the creation and introduction of new hotel products, which will satisfy at a higher level the requirements and expectations of the consumers. The application of these models leads to the overcoming to a certain degree the seasonality in the development of tourism in Bulgaria. This leads to provision of conditions for a year – round use of the hotel base and a stable year – round employment of the personnel.

Conclusions

Based on the analysis and assessment in the current research the following general conclusions and recommendations can be made which are also the main achievement of the current project:

1. In Bulgaria after 2008 one can observe severely negative tendencies concerning the level, dynamics and the structure of the labour force. The values of all indicators change in a negative direction both for the entire country and separate regions.
2. For the 2008–2010 period employment in tourism remains stable and at that stage appears a tendency that shows its decline. This distinguishes the sector in the context of the negative processes in the labour market in the country.
3. The decrease of the seasonality of tourism is of major importance when it comes to improving the economic state of the enterprises and keeping optimal employment in the sector. For the 2002–2009 period there is a clear irregularity of change in the total realized lodgings, realized lodg-

ings by foreigners and the realized lodgings by Bulgarians in Bulgarian hotels.

4. Despite the positive changes, the comparative portion of the total realized lodgings, realized lodgings by foreigners and realized lodgings by Bulgarians in Bulgarian hotels in the pre-season, main season and post-season remain low in the winter mountain tourism.
5. The requirements of the customers from the hotel product are connected with the creation of attractions, extra services and combining the traditional sea side vacation or mountain with different forms of alternative tourism.
6. Focusing on the creation of better dealing with the seasonal employment in tourism in Bulgaria, the research offers concrete models and complex hotel products.

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RELATIONSHIP BETWEEN TOURISM ATTRACTIVENESS AND EU-FUNDS ABSORPTION. THE CASE OF WEST POMERANIA

Abstract

The paper explores relationship between European fund absorption by communes in West Pomerania, Poland and their tourist attractiveness. Authors assumed that tourist attractiveness index is positively correlated with the European fund absorption from 5th Regional Program (which is directed to Tourist and Culture). Research proved that between tourist attractiveness index and amount of funds absorbed per capita there is a strong positive correlation which is statistically significant.

Keywords: tourism attractiveness, EU-funds, West Pomerania, public support

Introduction

Tourists visit destinations because of attractions, however tourist attractions are very rarely a profitable business. Whether an attraction is a museum, historical ruins, an event or exhibition it usually requires public support. Public intervention, in turn, is justified by the expenditure tourists leave in a destination. As tourist attractions are rarely entirely created from scratch and base mostly on the cultural or natural heritage, it is presumed that the more tourist attractions is a region the more public support is justified to boost tourist economy. On the other hand, as EU funds directed to tourism sector represent only a fraction of whole EU funds, the presence of tourist attractions should not determine the whole EU support to the region. In order to research those two issues authors of this paper decided to check those relationships in West Pomerania, Poland which is a province endowed on the one hand with numerous tourist attraction (Baltic coast, various lakes, rives, few cultural cities) but, on the other hand, with a presence of communes without any tourist premises as well.

The reminder of this article is structured as follows: In section 1 the EU funds for tourism sector are briefly discussed and conceptualized. Section 2 discussed issues of tourist attractions and presents attempts in measuring tourist attractiveness of a region. In section 3 authors formulate research hypothesis and in section 4 hypothesis are quantitatively tested. Last section presents conclusions and advocates future research possibilities.

European Union support

Tourism, as many other parts of service economy, requires public intervention both from supply and demand perspective. From one side disadvantaged social groups obtain subsidies to their holidays (social tourism, supported in authoritarian countries (Hachtmann, 2007; Brüstle, 1941), and, on the other hand, tourism enterprises and tourism destinations receive substantial support to increase their competiveness. There is an extensive literature covering issues of justification of public support in tourism sector (Bochert, 2007; Heeley, 2003; Pawlicz, 2008). Although a level of public intervention in tourism industry constitutes a constant subject of economic dispute its presence per se can hardly be questioned. Tourism organizations get public support for two main reasons:

1. They are engaged in tourism sector and are eligible to get funds dedicated to this area.
2. They receive money because of their special characteristics (e.g. innovation support in small and medium enterprises, support to peripheral or pure regions etc.).

There are also projects that require from tourism organizations to fulfill both conditions (e.g. support dedicated only to small tourism enterprises). Only those (mixed) projects are interest area of this paper.

European Union grants subsidies to tourism organizations and regions in frames of various funds as tourism industry is not an industry s.s. (tourism enterprises are defined from demand perspective). In Poland, most of EU-funds flows to tourism organizations via European Social Fund (ESF) and European Regional Development Fund (ERDF) structural funds which aim is to diminish economy differences between regions in EU. Polish regions and organizations are eligible to obtain those funds because their GDP per capita in under 75% of EU average.

In this paper EU support to tourism regions will be conceptualized as EU funds from 5 priority of Regional Program (Tourism and Culture). Only organizations from West Pomerania are eligible to claim from this RPO.

Tourism attractiveness

Tourism attractiveness belongs to most used and confusing terms in tourist literature. Tourist product of region is usually defined as an amalgam of tourist infrastructure, services and attractions (Wodejko, 1998, p. 22; Doswell, 1998, pp. 48–49; Wanhill, 2005). Tourist attraction are further divided into natural and anthropogenic attractions and tourist events (Mundt, 2001). The term "tourist attractiveness", however, in the literature refers to various concepts, sometimes only loosely connected to "tourist attractions".

First of all two main general approaches need to be distinguished. In the first tourist attractiveness is defined from demand perspective in the other from supply perspective. The "demand side" approach is dominant in non-scientific publications (World Tourism Organization, 2005; Hartl, 2003), however it appears also in articles from renowned journals (Hong-bumm, 1998; Cracolici and Nijkamp, 2008; van der Ark and Richards, 2006). This "perceived" tourist attractiveness can be measured by a simple questionnaire where tourists indicate in a Lickert scale which components of a tourist product they like the most (Hartl, 2003). Van der Ark and Richards (2006) defined "tourist attractiveness" as a "level of enjoyment of cultural activities" and measured similarly. Other approach bases on the available tourist guides (i.e. on the opinion of professionals) and their rating (World Tourism Organization, 2005). Finally, in Hong-bumm (1998) study, tourist attractiveness was measured in relation to similar destinations (there were five national parks in South Korea). Similar approach has been aplied in the work of Cracolici and Nijkamp (2008).

Tourist attractiveness from the supply side perspective is usually mentioned when some part of tourist infrastructure has been renovated or built (Masson and Petiot, 2009). In this approach tourist attractiveness is a way to measure a whole tourist product, with all its elements (Wanhill, 2005; Milewski, 2005; Bednarska, Gołembski and Hołderna-Mielcarek, 2002). The approach proposed by Milewski (2005) and Bednarska, Gołembski and Hołderna-Mielcarek (2002) assumed quantitative assesment of tourist attractivenss. Table 1 presents all elements that were taken into account while assesing tourist attractiveness.

Table 1. Factors that determine tourism attractiveness according to different authors.

Feature:	(Bednarska, Gołembski, Hołderna-Mielcarek, 2002)	(Milewski, 2005)
Attraction	0.250	0.250
Ecology	0.175	0.125
Transport infrastructure	0.075	0.100
Services	0.160	0.100
Technical infrastructure	0.125	0.050
People	0.115	0
Finances of communes	0.100	0
Accommodation establishments	0	0.250
Restaurants	0	0.125
Total	1	1

Source: Milewski, 2005; Bednarska, Gołembski nad Hołderna-Mielcarek, 2002.

Interesting approach to tourist attractiveness has been presented by Ferreira and Estevao (2009). They tried to find a link between the development of tourism cluster and tourist attractiveness of a destination. Still they do not show it quantitatively.

Research hypothesis

As mentioned in introduction to this paper, authors seek to find any relationship between tourist attractiveness of a destination and public support from EU funds. Authors presume that (1) communes that receive funds from UE (from programs directed to tourism development) have a higher tourist attractiveness than those that receive less funds (or communes endowed with tourist attractions will receive more funds from EU) and (2) tourist attractions does not influence possibilities of EU funds absorption at a whole.

As authors decided to test those hypothesis quantitatively, the Milewski (2005) approach to tourist attractiveness has been applied. Values of his Taxonomical Development Index (TDI) refer to all 114 communes in West Pomerania. On the other hand, Polish Ministry of Regional Development presents data covering all EU funds from all projects.

Verification of hyphothesis

In 2011 out of all 114 communes of West Pomeranian province only 18 (approx 16%) have recived the EU fund for tourism. Thus, the absorption of the fund is considered to be at a very low level. Figure 1 shows the percentage of communities which benefited from the EU fund.

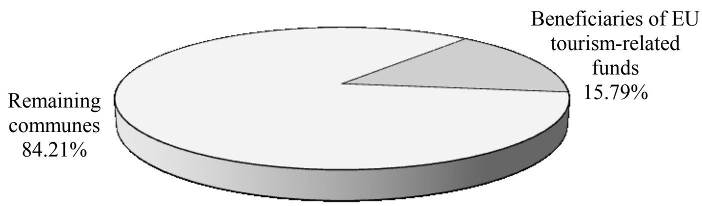

Fig. 1. Communities benefiting from tourism-related EU-funds

Source: own elaboration based on statistical data.

Verification of first hypothesis

In order to asses the first hypothesis the authors assumed that touristic attractiveness is measured by Taxonomical Development Index (TDI). Higher value of that index means higher touristic attractiveness for the particular commune. For the variable representing benefits from the EU fund was taken into account the value of amount granted to the commune per capita. It helped to level the differences in the number of citizens of particular communes. Thus, the Pearson’s coefficient has been used to estimate correlation between two variables (Hundert, 2006):

$$r_{yx} = \frac{c(y,x)}{S(y)\cdot S(x)}$$

$$c(y,x) = \overline{yx} - \bar{y}\cdot\bar{x}$$

$$S(y) = \sqrt{\overline{y^2} - (\bar{y})^2}$$

$$S(x) = \sqrt{\overline{x^2} - (\bar{x})^2}$$

where:

$c(x, y)$ – covariance x, y variables,
$S(y)$, $S(x)$ – standard deviations of y and x variable.

The next step was to check statistical significance of that coefficient. The authors assumed the level of $p = 0.05$. Confirmation of the significant relation between TDI and benefits from the fund for tourism would be assumption of the alternative hypothesis H_1: $\rho \neq 0$. All calculations have been done in Statistics 10.0.

Table 1. The value of the correlation coefficient

Variable	Value of the fund per capita
TDI	.7771
	$p = 0$

Source: own elaboration.

Given coefficient means that there is a positive and strong relation between analyzed variables. The coefficient is statistically significant which confirms that TDI is truly influenced by received benefits from the EU fund.

In order to additionally verify given results for the variable TDI it is possible to calculate median and quartiles and then classify communes in terms of these measures. After that it is necessary to check how many communes which were granted to financial benefits are placed in particular quarters. The outcomes of such actions are presented in table 2.

Table 2. Median and quartiles of TBI coefficient

Variable	Median	Lower quartile	Upper quartile
TDI	0.119000	0.107000	0.132000

Source: own elaboration.

Results showed that in the group of communes having the highest TDI there were twelve communes (approx. 67%) that benefited from the fund. Among communes having the lowest values of TDI there was only one commune benefiting from the fund. There were also examined the differences between showed results in the group of communes which benefited from the fund and the ones that did not. Comparison of these two groups in terms of average or in terms of quartiles clearly points at significant differences in TDI. The measures of structure in the group of communes benefiting from the fund:

Table 3. The measures of structure of TBI (communes benefiting from tourism EU-funds)

Variable	Average	Median	Lower quartile	Upper quartile	Stand. dev
TDI	0.214167	0.171000	0.130000	0.251000	0.134202

Source: own elaboration.

The measures of structure in the group of communes not benefiting from the fund:

Table 4. The measures of structure of TBI (communes not benefiting from tourism EU-funds)

Variable	Average	Median	Lower quartile	Upper quartile	Stand. dev
TDI	0.120000	0.117000	0.104500	0.127000	0.027645

Source: own elaboration.

The average value of TDI in the group of communes benefiting from the fund was nearly twice higher then among communes not benefiting from the fund. Eventually it is possible to conclude that given hypothesis (1) that communes which did not receive money from the EU fund have higher TDI then the others. These results can be easily interpreted by analyzing Figure 2.

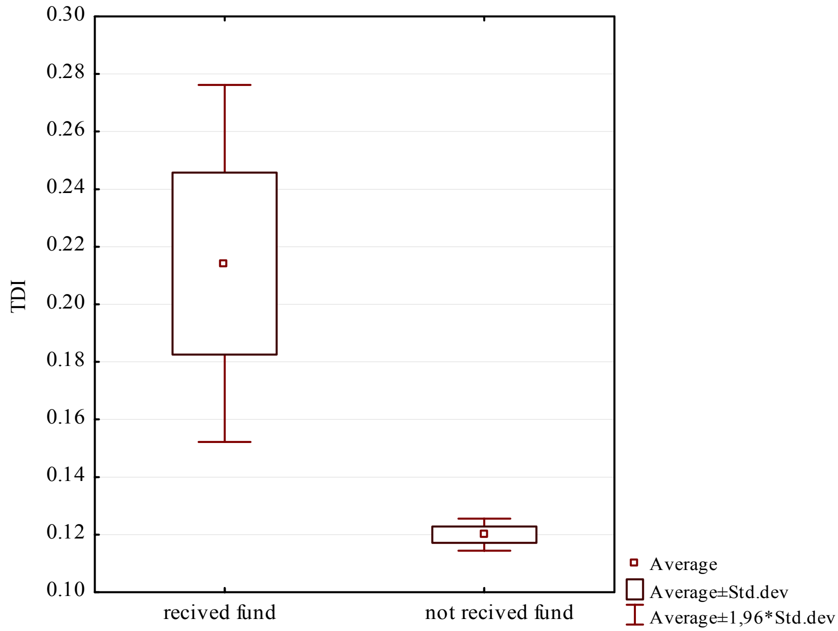

Fig. 2. Average and standard deviations of TBI for both group of communes

Verification of second hypothesis

In order to verify hypothesis (2) there were considered only communes benefiting from the fund. And again the TDI variable was used as the measure of tourist attractiveness and the fund utilization index was considered. In order to check relationship between these variables Pearson's coefficient was used as before. Then its statistical significance was examined. The following outcomes has been showed:

Table 5. Pearson's coefficient between tourism attractiveness and funds utilization index

Variable	Funds absorption
TDI	.3456
	p = .160

Source: own elaboration.

Recived Pearson's coefficient in the examined year points at positive correlation between the chosen features, however it is not statistically significant. It means that it is possible to define that touristic attractiveness has an impact on EU fund utilization.

Conclusions

From the carried analysis arises a conclusion that the communes benefiting from the EU fund have higher TDI. It would be necessary to ask the question to which extend the communes are aware of their touristic attractiveness and if they have a concept on rising they attractiveness. Finally it is possible to conclude that communes having higher tourist attractiveness apply for the grant more willing than the communes which are less attractive. Taking into account that the absorption from the EU fund does not influence TDI, it is possible to raise the thesis that communes are able to increase their touristic attractiveness regardless the level of the money absorption of the fund.

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