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# THE NEW DIGITAL BANKING ERA: CHALLENGES OR OPPORTUNITIES?

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## Abstract

The aim of this paper is to present the fact that the banking industry needs to deliver efficient digital connectivity as a worldwide priority, together with an increased requirement for new skills and competencies of the bank personnel working behind the digital interface, which is based on the following question: What is the biggest challenge when it comes to communicating and servicing new generations? For this we use empirical methodology based on data published by international financial institutions and some commercial banks. The results of our research shows that social media is a vital link between banks and customers, offering good services quickly and efficiently. Social media has become an integral component of an overall digital picture that connects all aspects that improve and simplify the lives of consumers.

**Keywords:** digital banking, financial education, new generation, trends, revolution, innovation

## 1. Introduction

A topic that has dominated the international and national market bank is adopting new technologies that generates value for the financial industry by exploring opportunities brought by the Internet, mobile devices and social networks, the ability to attract new customers and build closer relations with the existing customers. In a digital world, building customer loyalty requires banks to rethink their sales, marketing and technological client strategies because "digitized" is very knowledgeable and digital banking is necessary to meet the needs and preferences of consumers, because people's trust in banks was shaken following the financial crisis, and companies and individuals needing of financial services to fulfill their projects, such as financial market bank is in a position to offer services and new channels are available for lending and a growing economy.

## 2. Literature review

Our research has found, for example, that electronic banking is the wave of the future.

As we found in an article published by the International Monetary Fund (Andrea Schaechter - Economist in the IMF's Monetary and Exchange Affairs Department and Saleh M. Nsouli - Deputy Director in the IMF Institute) it provides enormous benefits to consumers in terms of the ease and cost of transactions. But it also poses new challenges for country authorities in regulating and supervising the financial system and in designing and implementing macroeconomic policy.

Internet banking is gaining ground. Banks increasingly operate websites through which customers are able not only to inquire about account balances and interest and exchange rates but also to conduct a range of transactions. Unfortunately, data on Internet banking are scarce, and differences in definitions make cross-country comparisons difficult. Even so, one finds that Internet banking is particularly widespread in Austria, Korea, the Scandinavian countries, Singapore, Spain, and Switzerland, where more than 75 percent of all banks offer such services (see chart). The Scandinavian countries have the largest number of Internet users, with up to one-third of bank customers in Finland and Sweden taking advantage of e-banking.

Another research is that the technology holds great promise of future simplification and automation. For instance, the next generation of international payment systems (e.g. electronic funds transfer networks) based on smart card technology (for use in e.g. bank cards, credit cards and electronic purses) with embedded digital IDs can be expected to simplify use of self-service and cross-border transactions by global standardization. In a few years we will have mobile terminals with high capacity mobile communication; potentially these will be individualized, pocket size bank terminals.

## **2.1 Digital Banking**

According to Capgemini Consulting technology is at the core of almost every conversation we have with organizations in the insurance and banking industry as they look to optimize and transform their business operations. Interestingly, technology is no longer just an enabler for business optimization but fast becoming a disruptor of traditional business models and thus cannot be overlooked. It must be a key part of the transformation strategy.

Web Banking or Internet Banking is a term used to describe banking transactions that are performed via a secured Internet application. Web Banking transactions include such things as paying bills, transferring funds, viewing account statements and paying down loans and mortgages.

Although Web Banking has been popular among young Internet-savvy people for many years, its popularity is expected to grow rapidly as Internet usage grows internationally and people discover the many advantages that it provides.

The large, established "brick and mortar" banks introduced Internet Banking services in the mid 1990s. Because access to the Internet was limited, high-speed Internet connection were rare and e-business applications were clunky, adoption of e-banking didn't really take off until the new millennium began. All the large banks in Canada and the United States provide web banking services.

People soon discovered that they were able to pay bills, transfer funds and check transactions 24 hours a day from the comfort of their homes. Many banks provided financial incentives to encourage clients to adopt self-service banking channels over "at the teller" full service banking. In addition to Web Banking, this included the use of ATM (automated teller machines) and IVR (interactive voice recognition) telephone banking services.

## **2.2 Client – bank relationship**

To remain competitive, financial services organizations must accept and adapt to the fact that the customer base they serve is going through a major shift in terms of buying behaviors and preferences, much of which is being driven by the digital technology revolution, particularly social media and mobile.

Banks need to assess and take into account the increasingly serious impact that technology determines both the behavior and expectations in relation to banking services, and regarding banking activity as a whole: processes, effective distribution channels, technology, value and utility banking products and services etc.

### **A new role of banking unit**

The traditional role of the banking unit, the place where transactions are processed gradually migrate to a predominant role of advice and sales, while reducing the role of the main channel of performing operations. Quality of services, assistance and support vector is crucial in ensuring effective relationships, long-term customer. Therefore, the perspective (even today) is to relieve staff from the activities of transaction banking in favor of counselling activities.

### **Space optimization**

Given the gradual changes of activities that are expected to be held in a bank branch, one of the challenges banks is to find optimal solutions in terms of location banking units, endowments (automatic multifunctional payment equipment etc.) the workflows, cost etc.

The world is in constant evolution, so as the years pass and the emergence of digital information, appear increasingly apparent two new generations of customers: Generation Y and Generation Z.

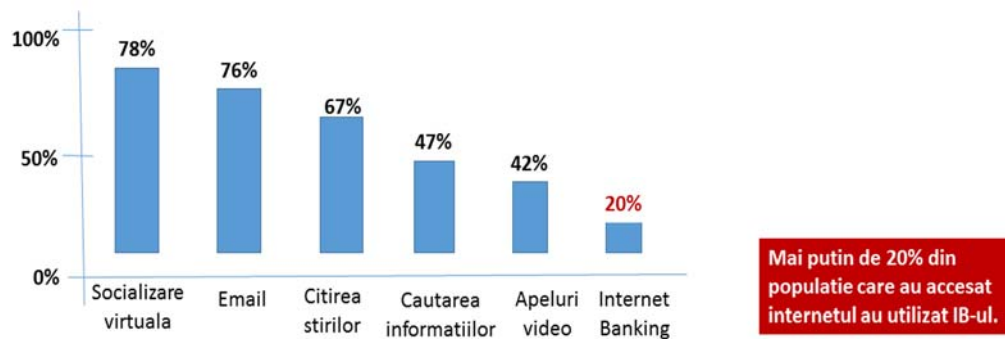
Born between 1990 and 2000. "catalysts for change", according to Deloitte. "Accumulators of wealth tomorrow" and "generation that bank can not afford to ignore", according to KPMG.

Use more online, they have great confidence in social networks and are less loyal to brands.

They want more efficiency, more confidence, more transparency, more choice, want a multi-channel approach. Confident, ambitious, knowledgeable about technology, especially computers and IT, 24/7 online. Those who are born after 1995, are future employees, prospective bank customers. Not conceive life without mobile phone without internet, because they have not met otherwise. Expect instant answers.

### 3. Critical Analysis of digital banking era

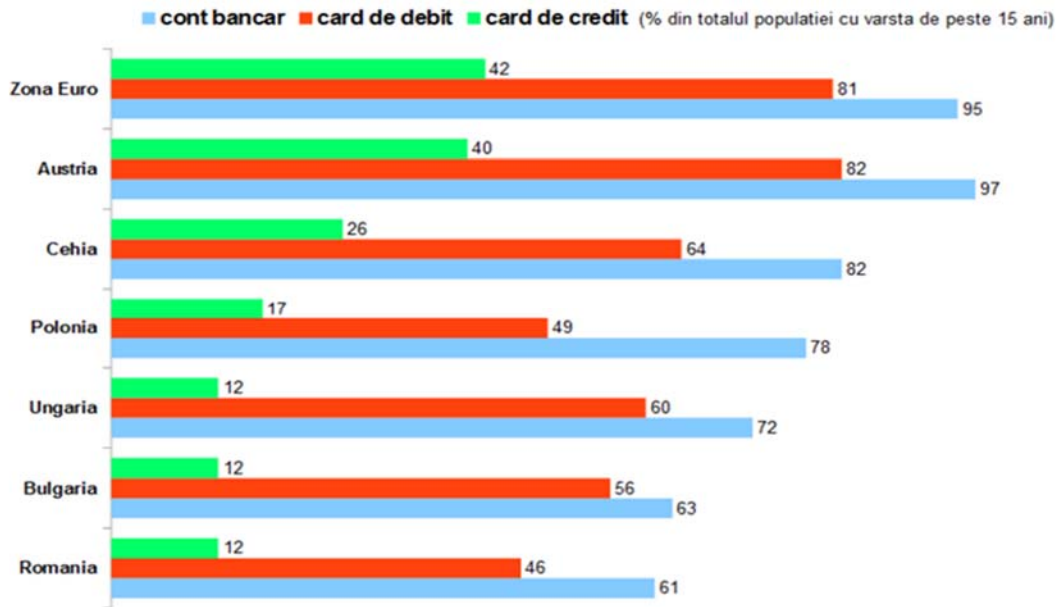
Compared with other European countries, our country still shows potential in terms of banking. Romania occupies the last places in Europe in terms of population the degree of financial intermediation. Our country also registered the highest share of cash in money supply.



Source: INMS/IMAS Monitorizarea pietei bancare 2016

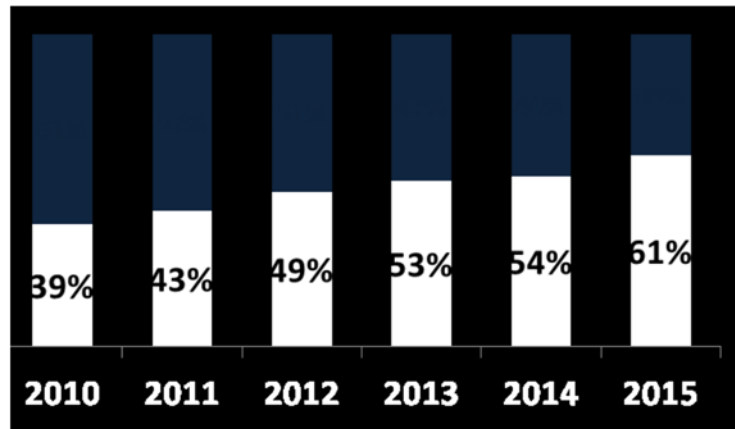


Source: ec.europa.eu / Digital Economy & Society



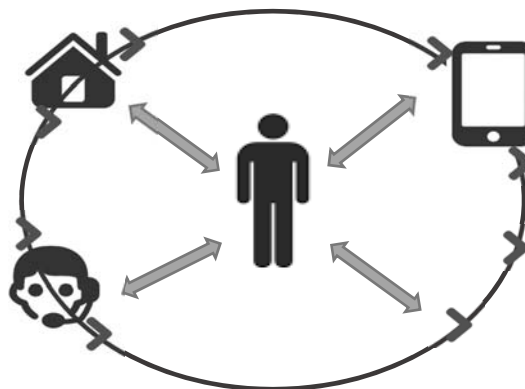
Source: ec.europa.eu / Digital Economy & Society

**5-year evolution of households that have access to the internet**



Source: INSSE statistics, 2015, Population's access to technology

**STRUCTURE OF FUTURE NETWORK - PHYSIC AND DIGITAL APPROACH**



The customer is free to choose how to interact with the bank, it's important to have a unique experience and consistency every time, regardless of distribution channel access.

Open a current account online - any person who wants a bank account is able to open it, based on an identity document. This is possible through internet banking applications, where the customer upload a picture of this document, complete all necessary information (name, address, phone number, mail address, etc.) and in a very short time gets the IBAN code. This could be possible for companies that want a bank account, but they must upload pictures with multiple documents (identity card for the holders and beneficiaries of the account, registration code of the company, etc.). Once the customer has the IBAN code he must transfer some money from another account to this account. This transfer represents the appliance of the principle of Know Your Customer, made by the bank from where the money were transferred.

Contactless payments by card application - nowadays debit or credit cards can be used for contactless payment, limited to an amount agreed by the customer (ex : 100 lei maximum by payment when the card is switch over the POS). Revolution banking on this service can be presented through an app on the smartphone, where the bank provide to his customer a digital card with a unique series, and payments can be made as before, contactless up to a certain limit, or a PIN, or a snapshot code received on the smartphone or fingerprint.

Cash withdrawals at ATMs by mobile application - currently the ATM cash withdrawals are made with the card, but it happens often that the card is expired or is bent or is magnetized so the operation becomes impossible. Through a smartphone app based on a numeric code or fingerprint, these cash withdrawals could be made much easier if the ATMs would benefit of advanced wireless and software services. Of course, the risk is when phone is lost or stolen, but we can discuss about the security of these cash withdrawals, if at the time of the operation, the mobile application and the application of ATMs requires customer authentication through an instant picture (selfie) that the phone and the web camera surveillance of ATM can compare with the internal system and information.

Granting loans online - granting loans requires a financial analysis of the customer's income and ability to repay the borrowed amount. Many of us have a bank account, most individuals are employed in companies that make payment of salaries through commercial banks. The challenge occurs when a person applies for a loan. There are already existing credit simulations and information regarding it's cost, duration of approval, necessary documents, etc. It would be revolutionary, if that commercial bank in which the individual earns salary, retain the authority to grant an overdraft with a limit of up to 6 salaries, based on information already held (the salary, client information, information about the company to which the individual provides services, etc.), but with the obligation to use the overdraft only for online payments and with justification.

Investigator of companies - any commercial company is registered at the Trade Register under a unique code. Owinging this Code, any person or entity who wants to find information (financial, economic, legal, etc.) of one company, they must have access to certain websites to acquire them. The Bank may provide this service, as a single and detailed report. The individual can reach these information by his own, but he must create his account for each site (RECOM, JUST, AEGRM, BPI, CIP, etc.). To avoid this, it is sufficient to hold a bank account, an internet application Banking and sufficient sources to make these checks. The advantage is to know a potential client or service provider before signing contracts or conventions.

#### **4. Conclusions**

With the increasing popularity of the internet, more and more industries are seekigng ways to utilize this popular medium in a effort to keep up with the changing technological preferences of their customer. These days any of us can do anything online. The possibilities of the internet are seemingly endless and the banking industry must not be left behind. While most people have at least heard of online banking, the majority of them have probably not tried it yet. That's why we made this research to show you that the online banking is convenient, fast, efficient and effective.



The online banking allows to perform transactions, pay bills and check balances 24 hours a day, 7 days a week. The bank virtually never closes because it is as accessible as the PC or smartphone. It doesn't matter where the customer is in the country or in the world. Through the internet, transactions are typically performed and executed at a faster rate than a ATM or POS. Online banks give the ability to handle several bank accounts from one site.

Even if customers find more comfort in working with real people and real paper when it comes to money matters rather than performing transactions in the seemingly impersonal universe of the World Wide Web, their fears are becoming to be unjustified and they should start to educate themselves, to adapt to market and evolution, to see online banking as a safe way to quickly and efficiently manage their finances, their time, their lives.

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## PROSPECTS ON THE FUTURE OF MOBILE MARKETING

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### Abstract

With the advent of mobile technology and its evolving nature, more and more people are gaining access to products and services in a quick and efficient manner. Opportunities for marketing become available such as personalized and location-based advertising delivering pertinent information to desired targets and ensuring on-time delivery of information. As new devices spring from innovation, unique platforms and trends become visible for marketing experts that can be used to apply new methods of marketing. As technology evolves, customer needs change and organizations have to adapt to the environment in order to maximize revenues. This paper will identify current developments in the mobile industry, its currency in the marketing field, and an analysis of its use in Romania as a country advancing in the field of information and communication technologies. The paper also aims to identify the potential issues that can be used for future research in the field.

**Keywords:** Mobile marketing, communication, mobile commerce

### 1. Introduction

From telegram to telephone, economies have always been dependent on communication technologies for efficiency in production and sharing of information. In modern times, we now rely on the mobility of these communication devices for convenience and ease of use. Smartphones are now a big trend in the industry and has pushed the creation of smartwatches and glasses and even the patenting of smart contact lenses. The convenience of mobile devices has been proven and tested to be the main platform for all modern communication. And in the business field it is only a sound logic to have a strong mobile presence in order to provide personalized products and services.

Mobile devices are becoming ubiquitous. There is worldwide boom of handheld electronic communication devices, such as cell phones, digital music players, and other mobile units. As the number of such gadgets multiply, subscription to data services also increase. Mobile marketing is becoming crucial in commerce. Due to its time-sensitive and location-sensitive nature, mobile marketing has the potential to change the paradigm of retailing.

This new electronic marketing concept has broadened the scope of service for consumers. Mobile commerce facilitates in offering great experience to consumers when shopping at any time and in any place. Entrepreneurs, on the other hand, are able to capture marketing opportunities such as customization of products and services based on the location of their target markets. However, with the abundance of access to information system and high frequency of exposure to mass media, consumers are also growing concerned about security issues.

## **2. Mobile Marketing in Perspective**

Mobile marketing is a versatile tool because it is user-oriented--it focuses on the end product or service desired by an individual. This could range from reservation of accommodation, restaurants, or booking tickets. As the concept suggests, mobile devices are the crucial media for mobile marketing. We use them, carry them at our convenience and make our lives easier to handle. Every minute of every day we open our smartphones in order to achieve a specific goal so that the device itself become a personal necessity.

According to Mobile Marketing Association, mobile marketing is broadly defined as including advertising, apps, messaging, mobile commerce and customer relationship management on all mobile devices including smartphones and tablets. It is a set of practices that enable organizations to communicate and engage with their audience in an interactive and relevant manner through any network.

Mobile marketing can also be defined as “the use of the mobile medium as a means of marketing communication”, the “distribution of any kind of promotional or advertising messages to customer through wireless networks”. More specific definition is the following: “using interactive wireless media to provide customers with time and location sensitive, personalized information that promotes goods, services and ideas, thereby generating value for all <sup>1</sup>.

The Internet, as an interconnected system of networks, is vital to mobile marketing. Mobile connectivity not only enables people to connect to the Internet via a cellular telephone, or other gadget, but also consolidates the different communication channels in a simple, yet effective, medium. It provides opportunities for business processes to be more accessible and more consolidated such as purchasing and marketing of products and services up to engagement of post-sales experience like customer relationship management.

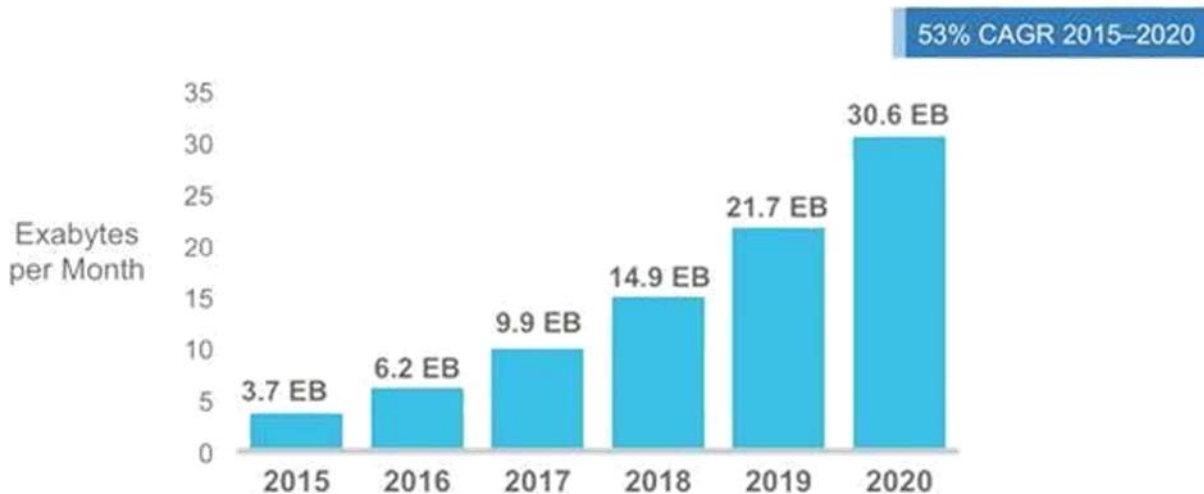
Mobile marketing is applied in mobile devices such as smartphones and some feature phones (platform types include Apple, Windows, Androids, Blackberry). They have the ability to connect to the Internet or other data network. Mobile units give support of user input and interaction (texting, swiping, stylus pen, camera, video). They also support multiple functionalities (phone, browser, short message service/texting, GPS, e-commerce, apps, etc.), GPS (Global Positioning System) navigation device (car or personal navigation device) and recent feature of the ability to sense local geographic data like Near Field Communication (NFC) and Radio Frequency Identification (RFID) through triangulation with cell towers.

## **3. Mobile Marketing Landscape**

According to CISCO Visual Networking Index Forecast, overall mobile data traffic is expected to grow to 30.6 exabytes per month by 2020, an eightfold increase over 2015.

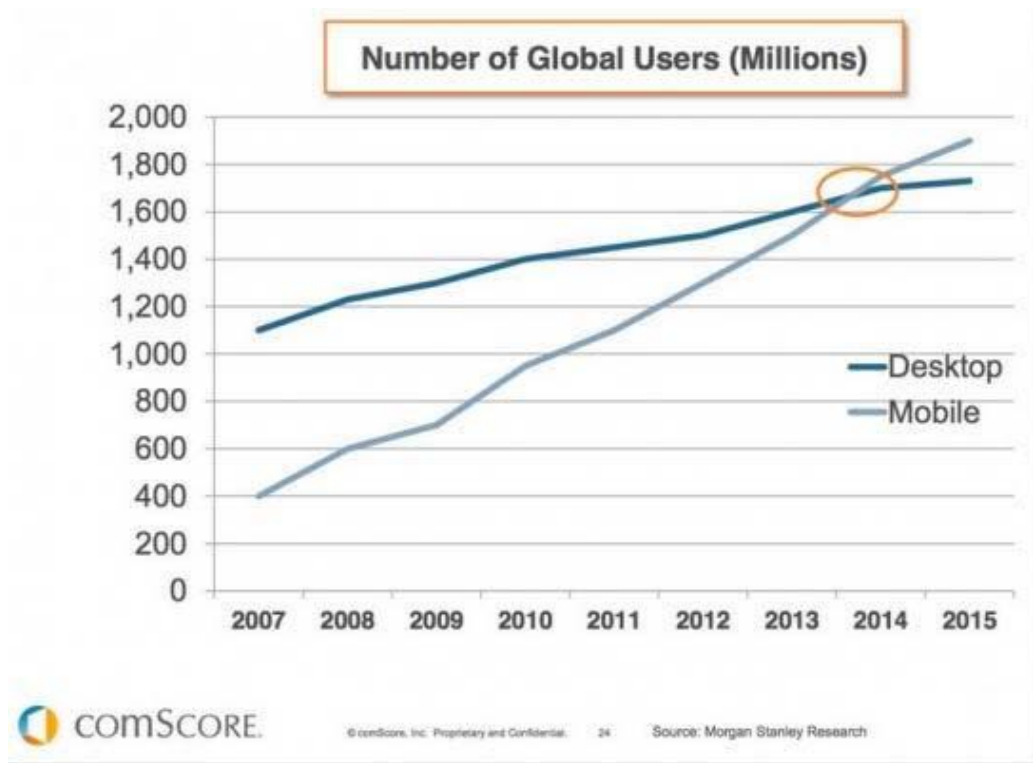
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<sup>1</sup><http://mashable.com/category/mobile-marketing/>



Source: CISCO VNI Mobile 2016

In parallel to this growing trend of mobile data usage, Dave Chaffey from Smart Insights reports that mobile usage has now surpassed desktop computer usage giving way to the increased use of mobile marketing.



Source: Morgan Stanley Research

When maximized, the opportunities made available by mobile marketing can help businesses reap profits from their target customers. Advertising using mobile marketing will naturally increase revenues due to the versatility of mobile technology in contrast with traditional channels. Mobile advertising

spending has already been growing over the years and will continue to do so in the future. According to industry forecasts, three years from now, global mobile spending will reach up to \$195 billion which only include display and search advertising.

This goes to show that more and more people are going to use mobile internet searching in the

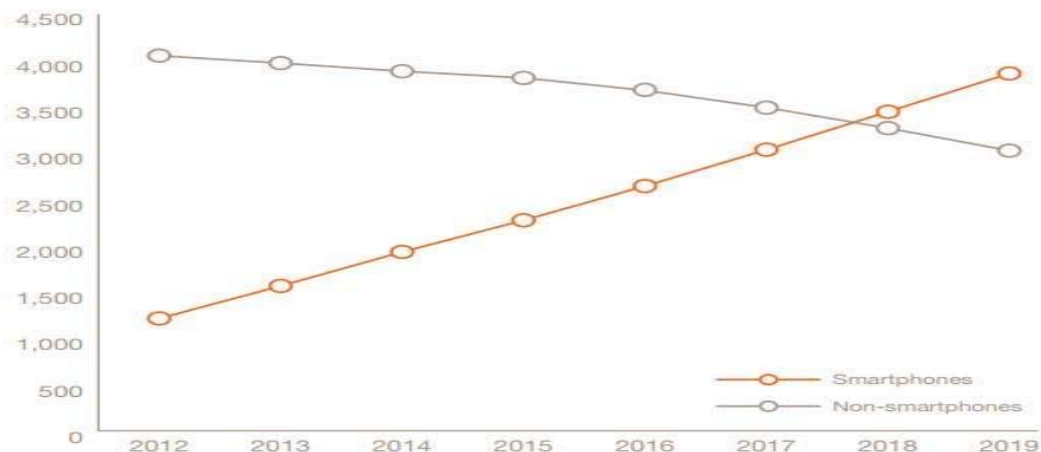
	2013	2014	2015	2016	2017	2018	2019
<b>Mobile Internet ad spending (billions)</b>	<b>\$19.20</b>	<b>\$42.63</b>	<b>\$68.69</b>	<b>\$101.37</b>	<b>\$133.74</b>	<b>\$166.63</b>	<b>\$195.55</b>
—% change	117.9%	122.1%	61.1%	47.6%	31.9%	24.6%	17.4%
—% of digital ad spending	16.0%	29.4%	40.2%	51.1%	59.4%	65.9%	70.1%
—% of total media ad spending	3.7%	7.8%	11.9%	16.5%	20.5%	24.1%	26.8%

*Note: includes display (banners, video and rich media) and search; excludes SMS, MMS and P2P messaging-based advertising; ad spending on tablets is included*  
*Source: eMarketer, March 2015*

186887 www.eMarketer.com

coming years. Smartphones are already the craze of the young population. Each year new mobile units with novelty features are showcased in the market and. Global Web Index states that 80% of Internet users own a smartphone. Marketers should only be wise to make their retail sites available on mobile platform because increase of smartphone connections is a growth driver in mobile marketing.

Global, mobile phone ownership (mn) by device type, 2012–2019



Source: Global entertainment and media outlook 2015–2019, PwC, Ovum

In Romania, there is a 114.9% mobile penetration, 10.5 million smartphones with 22.9 million active sim cards since 2015. Romania Insider reports that electronic communications services will migrate

onto online platforms by 2020 and mobile internet will enfold all the other electronic communications services. Statista.com published a forecast that states Romania's projected revenue in digital advertising amounts to USD \$116.6 million.<sup>2</sup> According to a Romanian Business Review's report last year, the sector is a little star in the digital industry. Specialists told Business Review that the know-how and the technology needed is present. Agencies are available to provide high-technology solutions and tools. However, Maia Novolan of Syscom Digital said in an interview that "At nationwide scale, Romanian consumers need more time to become heavy users of mobile phones. Romania is moving in small steps, but fast. We have more and more marketing activities with mobile components and, more importantly, marketers set aside dedicated mobile marketing budgets, although still of a low value."<sup>3</sup>

#### 4. Current Applications

Typical applications of mobile marketing include:

1. SMS/MMS campaigns - They are widely used, not only for personal use, but also in business, entertainment and education. Texting is twice as popular as browsing or apps. SMS/MMS marketing represents a more selective and therefore cost-effective opportunity for either driving traffic or engaging response. The basis of SMS marketing is to make an appealing offer; it can be a powerful direct response tool with many applications. In 2014, the recorded monthly average of SMS traffic in Romania was at 1.62 billion.
2. Mobile-optimized websites - Developing a mobile friendly website is at the core of a mobile marketing strategy. Making your web presence more mobile friendly or better able to accommodate content specific to a campaign.
3. Mobile applications - Mobile applications or apps are compact software programs that perform specific tasks for the mobile user. Some apps are pre-installed on the mobile device, and others can be downloaded from a server (e.g. Apple Apps, Blackberry App World, Android Market) or from individual business/organization websites.
4. Advertising on apps or mobile websites - Mobile display advertising is another way to reach a distinct audience incrementally. Mobile display ads can provide a direct link to your online sales channels, enabling greater integration and post-click engagement, especially when used in conjunction with an optimized mobile site.
5. QR code scanning - Quick Response codes are two-dimensional barcodes that can be scanned and read by smartphones. Once mobile users scan or snap a picture of your code, they will be directed to your web page, shown a video, or receive SMS text, etc. QR Codes are placed in the offline world (e.g. print materials, premium items, storefronts) where space is limited to supply more information and to enhance the online experience.
6. Location-based campaigns - Through a mobile network that uses geographical positioning on mobile devices, you can target your marketing by behaviour, knowing where your prospective target is located, and make offers and calls to action accordingly such as guests checking in their location on social media.

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<sup>2</sup> <https://www.statista.com/outlook/216/148/digital-advertising/romania>

<sup>3</sup> <http://www.business-review.eu/featured/mobile-marketing-ready-to-rise-on-the-romanian-digital-industry-79125>

## **5. Key Issues**

There are a couple of main issues in order to have a sustainable business in mobile marketing. The main ones are investment or budget in the domain, the regulations imposed by law, and the service providers' capability of giving their clients better data plans.

For many marketers, they should slowly position their products and services to be more available via mobile. A comprehensive marketing model using the opportunities handed by the Internet can put their company in a very good strategic position. Using mobile marketing, companies would have access to real-time data and a personal interaction with their customers.

Law and regulations also affect the favourability of mobile marketing. Government institutions play a crucial role in offering mobile marketing the opportunity to prosper. They offer permits to different companies that want to maximize the potential of current communication technologies. Formulating laws and regulations that stimulate a healthy mobile marketing environment motivates companies to push their business through mobile dimension.

More importantly, cellular service providers should also allow their users to gain access to better data plans. Upgrading their deal packages such as more data and faster technologies like 4G or 5G in the near future. They should also look forward to upgrading their own facilities in order to provide better connections given the fact that the mobile industry is only going to be more robust in the near future.

Security is also becoming a concern at the same time as the benefits of mobile marketing is evident. More and more people are growing weary with the current breaches in mobile security. Perhaps a way to mitigate this issue is researching and developing new ways of securing privacy in mobile devices and allowing users to select information they want to provide.

## **6. Conclusion**

Mobiles have gained unprecedented importance in our lives, today. People around the world choose mobile devices as their preferred medium to connect with other people, gather information or even do business. As a result, many businesses are actively devising new mobile marketing strategies to reach out to their audience. In the present world, mobile marketing is a common technique that almost every company, irrespective of the business it is into, is pursuing some kind of mobile marketing campaign. Whether it's an E-commerce giant such as Amazon or a manufacturing juggernaut such as General Motors, everyone is following a "mobile first" approach, when it comes to creating a marketing strategy for their businesses.

Mobile marketing enables marketers to develop sustained relationships and direct dialogues with their customers in ways and at depths previously unavailable. This is a level of target marketing that has never before been available to marketers or consumers. The greatest challenge to the marketing community, and the entire mobile commerce ecosystem, is to not destroy the value of this marketing medium. The best ways to realize the full potential of mobile devices as tools for conveying marketing information and enabling transactions is to address the key issues surrounding the mobile marketing. It is important for marketers and all stakeholders to understand the concept and the current developments as well in order to deal well with the posing problems.

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# FORESEEING INVESTORS PROFICIENCY IN A COMPETITIVE DAIRY MARKET. A CASE STUDY OF THE ROMANIAN PRODUCER ALBALACT.

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## Abstract

In an economic environment where the pace of change is quickening, market players are under constant pressure to achieve more with less while delivering improved quality. Strategy options for competing in international markets include maintaining a national production base and exporting goods to foreign markets, open new facilities abroad and not only.

Today, the majority of the world's population lives in developing countries. Taken together with population growth, this has led to an increased demand for food products, in general and dairy products, in particular.

Albalact, the largest Romanian dairy producer today, entirely private, has been established in 1971 as a state owned company and has lived a spectacular development, a lot of attention being headed towards it lately. As the only Romanian dairy company listed on a stock exchange, it has sparked interest to investors. Due to a consolidation process and a well position, Albalact managed to undergo increasing production capacity, which can lead to new opportunities to be explored by entering foreign markets as well as exploiting its growth potential.

The present paper aims to estimate the share price of Albalact over a period of one year in order to predict potential profits from price movement.

**Keywords:** Analysis, Recommendation, Target Price, Valuation, Dairy Market

## 1. Introduction

In the modern world, businesses are increasingly affected by the actions of international competitors as a result of the globalisation process. Globalisation occurs because of the shrinking of business distance so, as a consequence, it is much easier to access markets in far-flung parts of the world.

When the stakes are high, people need to be able to choose the right tools to operate with for the job. Therefore, investors take a close look to fundamental analysis, technical analysis, and other valuation techniques to estimate the most positive and profitable shares to invest in. Valuation is certainly a complex topic, and an even more complex process, as it has been addressed in the literature: "*Equity investments encompass the buying and holding of shares of stock in the anticipation of collecting income from dividends and capital gains. Determining which shares will be profitable is key, and an array of valuation techniques is applied on today's market to decide which stocks are ripe for investment and which are best left out of your portfolio.*"<sup>4</sup>

The present paper states ideas from available literature, integrated in a comprehensive conceptual framework in which forecast can be formulated. The paper aimed to obtain a reliable market based valuation and it further presents the stock valuation of Albalact using three methods which calculate theoretical values, that confirm one another, over a one year time frame.

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<sup>4</sup> John D. Stowe, CFA, Thomas R., Robinson, CFA, Jerald E. Pinto, CFA, Dennis W. McLeavey, CFA – EQUITY ASSET VALUATION, 3rd Edition, ISBN: 978-1-119-10426-1, John Wiley & Sons, Inc., December 2015, ©2016, *Description*.

## 2. Business description

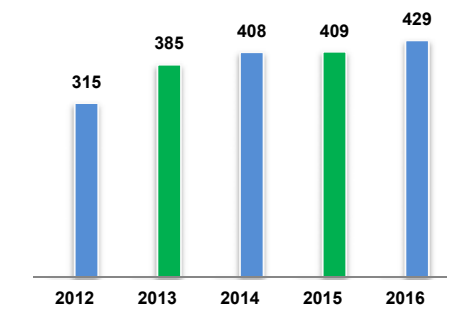
The main production plant of Albalact was the Oiejdea factory in Alba County, where Milk, yoghurt, sour cream and butter were produced. In 2008, Albalact acquired the majority stake in Rarăul Company, with its long tradition in the white and yellow cheese production, now holding 99,01% of its shares.

Over the years, Albalact made **significant investments** in its two production facilities, aimed at expanding production capacity and increasing efficiency through advanced processing technologies. Following investments over EUR 8M, Oiejdea factory is now one of the most modern dairy factory in Eastern Europe.

Rarăul factory benefited too of repeated investments over the past years in view of developing the cheese portfolio. The processing capacity of Albalact through its two plants is over 300,000 liters/day.

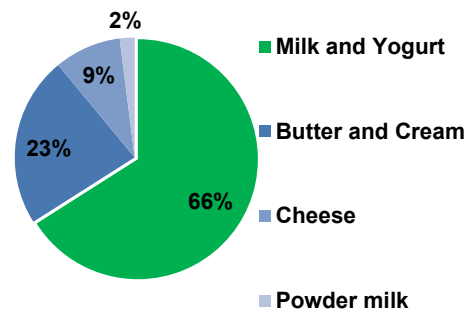
In 2014, in terms of sales, Albalact ranked first in the milk, butter and sour cream segments, second in yogurt and fourth in the cheese segments. The company has a rich dairy products portfolio, including 140 dairy varieties with leading brands on the Romanian market. Its branding philosophy is conceived to address the needs of a **wide range of consumers**, through three different brands with different pricing strategy: Premium brands (higher price range: Zuzu Max, Bifidus), Mainstream (Zuzu, Fulga) and Economic (De Albalact, Poiana Florilor, with a lower price).

Figure 1. Total Revenue  
(Data in RONm)



Source: Company Data, Team Estimates

Figure 2. Revenue structure as of December 2014



Source: Company data

### 2.1 Distribution

Albalact has a wide spread presence across the country through its distribution network. Over 90% of the company sales go to **retail companies**, the rest being represented by the “milk and croissant” government program, hospitals and other collective consumption. In 2014, the 10 largest clients accounted for about 68% of sales.

Among the large retailers are: Auchan, Carrefour, Kaufland, Lidl, Mega Image, Metro, Profi, Selgros. Albalact aims to increase its distribution channels via **HoReCa (Hotel/Restaurants/Café)** and consequently launched in 2014 a new brand of dairy products for professionals: Albalact Horeca Top. In 2015, Albalact diversified the range of products sold under this brand with yellow and white cheese.

In 2013, Albalact established **Albalact Logistics**, a company 100% owned by Albalact, which provides the transport and distribution of its products. In 2014, Albalact shareholders voted to start investigating prospects to maximize the efficiency of Albalact Logistics, either through partial or full selling of the company or by subleasing the refrigerated trucks and providing distribution services for other products for other firms.

As of end of 2014, Albalact Logistic had a negative contribution to Albalact Group consolidated net income of RON -3.81M. Therefore, we view the shareholder decision, if materialized, as a positive driver for Albalact profitability.

**Figure 3. Albalact Distribution Points**

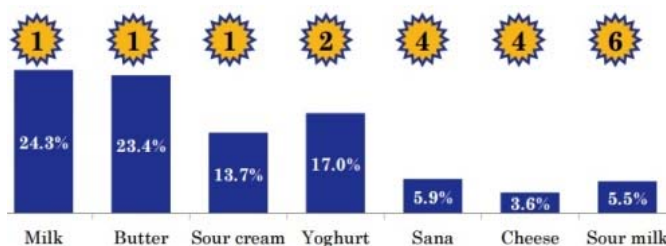


*Source: Company Reports*

## 2.2 Strategy

After completing an extended investment cycle in 2014, Albalact strategy in the following period will be focused on growing sales in cheese and yogurts segments, improved efficiency and stronger cash flow generation. With higher economies of scale and expected gradual increase of the product mix towards higher value added products, we forecast and increase in profitability, with a forecasted EBITDA ratio in 2015 of 9.8%, from 6.6% in 2014.

**Figure 4. Albalact market share per category of products**



*Source: Company Reports*

## 3. Management & Governance

We analyzed the strength of Albalact’s corporate governance, using as guidance the OECD Principles of Corporate Governance (Figure 5). According to the rating methodology detailed in Appendix 1, the company presents a low to medium threat to shareholders. We see the structure of the Board of Directors as the main risk for shareholders, given the small size of the board and the risk of board members lack of independence.

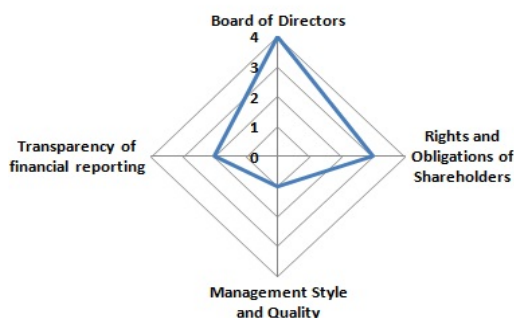
Albalact’s board of directors is composed by the three members: Petru Raul Ciurtin and Petru Ciurtin, which made the first move towards the ownership of Albalact by acquiring a majority stake in the company in 1999 and Cornelia Mioara Oancea, the CEO of Neweuropecapital SRL, advisor of the RC2 fund, which holds 25.4% of Albalact.

The Ciurtin family controls the company, with the main shareholders, Crisware and Croniar being owned by Petru Raul Ciurtin and Lorena Beatrice Ciurtin. These cumulated holdings stand at c. 45% of outstanding

shares. The RC2 closed end private equity fund owns 25.4% of Albalact, since 8 years ago. The strategy of RC2 fund is to invest in companies and add value by implementing operational and/or financial restructuring over 3 to 5 years. Because it has already exceeded its investment horizon, the fund might consider an exit strategy. By now, New Europe Capital sold already 0.5% of its share capital in Albalact. This possible exist could have a positive effect, increasing free-float.

Albalact benefits of an experienced management team with a clear growth strategy. Since June 2014, Mr. Stephane Batoux replaced Raul Ciurtin as CEO of Albalact, having a remarkable background as CEO for Coca-Cola Hellenic and Danone. For details of the management team see Appendix 1.

**Figure 6. Corporate Governance Rating**



*Source: Team analysis*

#### 4. Trading

As of June-2015, Albalact shares were transferred on the main market of Bucharest Stock Exchange. Previously, the company traded on the over-the-counter electronic stock market Rasdaq. After the transfer, Albalact shares were included in the structure of four stock indices of the Bucharest Stock Exchange, having met the minimum Free Float and minimum liquidity requirements: BET-XT and BET-XT-TR with a weight of 0.23%; BET- BK weight 1.6% and BET Plus with a weight of 0.32%. In terms of market turnover, the average daily value traded in the past six month was RON 74,300.

**Figure 7. ALBZ share price performance vs. Romanian BET-XT Index**



*Source: Bucharest Stock Exchange*

#### 5. Industry Overview and Competitive Positioning

##### 5.1 Demand Drivers

Drivers of Albalact’s consumption are determined by men as well as women, young and adults, mostly active and modern, with incomes from low to above average. With its differentiated products, Albalact aims to the unconventional, urban and educated consumer, but also to the conservative and traditional consumer. The consumer’s profile play a role in setting the customers approach and building the portfolio architecture.

The consumption of dairy products in Romania is the lowest in Europe (60 liters per person/year). This can be attributed to the low purchasing power as well as the relatively large gray market.

## 5.2 Romania’s economic overview: Growth to pickup, driven by domestic demand

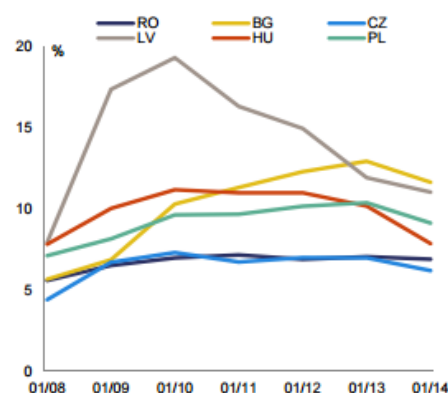
Romania’s economy is expected to grow by 3.5% y-o-y in 2015, fueled by strong private consumption and private investments. Households consumption went up by 6.3% Y-o-Y in Sept 2015 and it’s continuing to follow an upward trend. The two-step VAT rate cut (due for implementation as of 1 January 2016 and 1 January 2017 respectively) for all products except food (which already suffered the 9 percent reduction of VAT rate as of 1 June 2015), is expected to improve purchasing power of households and put downside pressure on CPI. The average net wage has increased by 9.7% Y-o-Y in October 2015. National Bank of Romania expects CPI to remain negative until May 2016, before returning to positive values and stay inside the  $3\% \pm 1\%$  variation target till end of 2017, when it is seen reaching 2.8 percent (Figure 8). Unemployment rate at 6.7% is one of the lowest among Central Eastern Europe (Figure 9), while GDP is projected to trend upwards to 4.1% over 2016 (Appendix 2). With a tight labor market, strong wage growth and low inflation environment, private consumption is expected to reach a post-crisis peak in 2016, boding well for the Dairy Industry as well.

Figure 8. Inflation forecast



Source: NIS, NBR projection

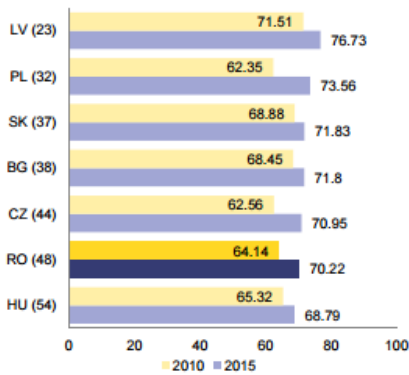
Figure 9. Unemployment rates – Romania vs. CEE countries



Source: European Commission

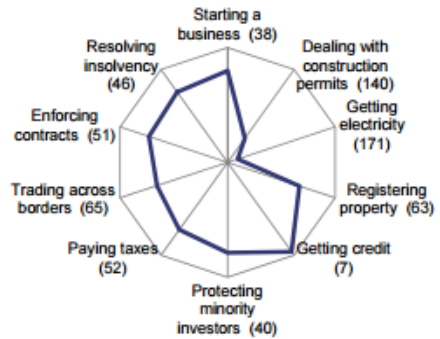
On the other hand, Romania’s business environment is still a poor one. Romania ranks only 48<sup>th</sup> in the World Bank’s ‘Doing Business 2015’ index and ranks the lowest among EU countries (Figure 10) in a number of key elements for investment, such as dealing with insolvencies, construction permits, registering property or getting electricity, as well as trading across borders (Figure 11). Inefficiencies in public administration and corruption represent an extra burden on business. Entrepreneurship suffers from an unstable regulatory framework. The lack of transparency and predictability of the regulatory framework continue to represent a burden for business.

Figure 10. Ease of Doing Business



Source: World Bank, Doing Business

Figure 11. Doing Business in Romania



Source: World Bank, Doing Business

### 5.3 Industry Supply

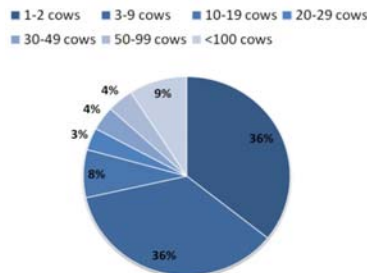
Over the last years, the dairy market in Romania has remained constant. The quantity of collected milk from farms and collection centers by processing units decreased by 8.8% in the period of Jan-Oct.2015 compared to Jan-Oct.2014 (National Institute of Statistics). This decrease can be explained by the abolition of milk quota starting April 1st 2015, taken together with Russia's food embargo, which led to a dairy surplus on the EU market. As a consequence, these events gave rise to an influx of cheap imports on the Romanian dairy market (the imported raw milk grew by 10.9% in the first nine months of 2015 compared to the same period of 2014). While the North and Center regions of the country hold 75% of milk production, the other regions are net consumers of milk.

### 5.4 The Dairy Industry

In Romania, the Dairy Industry has been a dynamic and competitive sector in matters of portfolio development. There have been a variety of new products launched, adapted to consumer requests, especially in the yogurt and cheese segment. However, the dairy sector has remained constant recording nearly 900 million Euro with around 4B liters of milk produced.

In addition to the largest dairy players in the industry, there are 850.000 farms, out of which 500.000 family farms with an average of 1-2 cows/farm (Figure 12). Over 70% of milk production is ensured from family farms. Furthermore, the dairy consumption in Romania is divided into industrially processed and "street market", while the non-tax market accounts for 40% of the entire market.

Figure 12. Cattle farm statistics



Source: Ministry of Agriculture

## 5.5 Recent Trends and Advancements of Dairy facilities

Most of the dairy facilities in operation today lack a high level of technology. The dairy segment is very sensitive, not only because of the product's freshness and shelf life, but also because of the special needs in the supply channel. In order to ensure high standards of hygiene throughout the production, processing and distribution, the European Union has developed measures and procedures based on HACCP principles. However, only the large dairy operators are equipped with modern processing units with automatic systems – pasteurization plants, milk sterilizers, tanks - which provide the means for delivering a good quality finished product and gaining competitive advantage. This change will inevitably reduce the size of the gray market in favor of the industrialized market.

Consumers have begun to understand the fact that dairy products lead to a healthy diet, especially in children diet, which is one of the reasons why Romania has a significant growth potential in the dairy sector.

## 5.6 Competitive Positioning

High rivalry among players, competition for store shelf, relatively large capital requirements, the need to comply with food safety regulations characterize the competitive environment of the dairy market. In this context, Albalact has managed to become the market leader in terms of total turnover. Please refer to Appendix 3 for a detailed analysis of Porter's Five Forces. To establish a better understanding of Albalact's relative market position, the SWOT analysis was performed (Appendix 4).

Figure 14. SWOT Analysis



Source: Team estimations

## 6. Investment Summary

We issued a **BUY** Recommendation on Albalact S.A. with a target price of 0.45 RON using a Discounted Cash Flow Analysis, a Relative Multiples Valuation and an Evaluation of Securities in Continuous Time. The recommendation reflects our positive stance regarding the company's ability to continue to gain market share, and gradually improve its profitability in the medium/long term. Our valuation is supported by the aspects and concerns outlined below:

### 6.1 Marketing Efforts and Management Implications

The management has proven continuous effort to answer customer needs through branding philosophy (three categories of brands: premium, mainstream and economic), new products (over 140 dairy varieties), innovative packaging solutions, creative marketing strategies, succeeding to develop one of the strongest brands on the Romanian dairy market. Also, the management has a strong track record in developing and



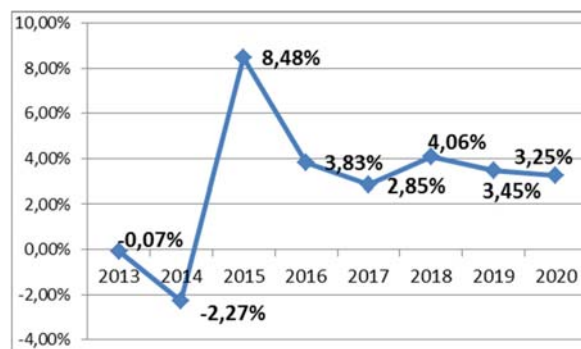
maintaining widely popular brands. We expect marketing efforts to be sustained going forward. The company is represented in low-end pricing bracket by the Poiana Florilor brand. That offers some market share protection from chain store own brands.

## 6.2 An Improving Profitability and Balance Sheet

We forecasted a **5% CAGR in Revenues** for the 2016-2020 period, driven by improvements in Albalact's product portfolio, with production steered towards higher value added products like cheeses and yogurts, as well as, increase in overall demand for dairies. Albalact financial results improved significantly in 2015, with **EBITDA ratio** increasing from 6.6% to 9.8%, benefiting from a favorable market environment, given the decrease of raw milk prices by -14% during the year. We took a conservative approach and estimated **EBITDA margin** at 7.3% in 2016, and later stabilizing around 7%, to reflect a strong competitive environment and a gradual increase in milk prices, reducing the price difference vs. other levels in other EU countries. The company's strategy for 2015 was geared towards a profitable growth of the business. The cost optimization with rents (-18%), advertising (-5%), raw materials and consumables (-12%) and also, a good planning have contributed to these results. We forecast net income to benefit from a **decrease in depreciation and interest expenses**, from the peak reached in 2014. The bulk of the interest bearing financing has been undertaken in the recently finalized, capex intensive, period. The current low interest rate environment and the banks' gradual adjustments to the loose monetary policy, support our forecast.

Consequently, **cash generation** is expected to improve, driven by higher operating cash flow and higher investment cash flow, due to significant decrease in investment needs. (Figure 15: Free cash flow).

Figure 15. Free cash flow % Sales



Source: Company data, Team estimations

## 6.3 The Company's Strategy Oriented Towards Development

Following its development and investment strategy, Albalact has a diversified range of products, being present across all segments (Figure 2). Short-term market catalysts, like the EU milk quota elimination from April-2015 and the VAT reduction from 24% to 9% from June-2015 will likely have a double positive effect on the dairy industry by lowering raw milk purchase prices and boosting demand. With enough free production capacity, Albalact SA is able to capture further returns from the good market momentum.

## 6.4 Possible investment risks

Recent years have shown that disruption in financial markets may occur with very little warning. For these reasons, special attention must be paid to the volatility for the price of raw materials, due to the fragmentation of the farms and to the political headwind that could lead to a more uncertain business climate, with negative consequences. Also the investors should be aware of other possible influence like highly competitive industry, operational risk and the exposure of exchange rate fluctuations.

## 7. Valuation



## 7.1 Discounted Cash Flow Model<sup>5</sup>

We used Discounted Cash Flow Model (DCF) with a five-year explicit forecast, using a two stage Free Cash Flow to the Firm (FCFF) discount model, this method being suitable for Albalact due to Company's shifting leverage structure during the past years. In the same time Albalact is expected to grow at a faster pace in the next 5 years, following two years of high capital investments, which led to increased productivity and production capacity. The base case for this model was formulated using guidance from historical performance, industry outlook, the company guidance on revenue, acquisitions, and earnings growth, and an assessment of Albalact's competitive positioning. The DCF model is sensitive mostly to the following factors, the derivations of which are explained below:

### Sales

We estimated Sales growth of **5.0%** per year in the high growth period (next 5 years) assuming that Albalact will increase its production up to an average of 90% of the installed production capacity. The main growth potential in the following period resides in Cheese products, where Albalact currently has an utilization rate of roughly 35%. As Euromonitor report estimates Potential Growth for Romanian milk market at 7% for 2012-2017, we consider Albalact will succeed in finding demand for the increased supply.

### Weighted Average Cost of Capital (WACC)

#### *Market risk premium*

Given the limited and volatile historical data for Romanian market, including data for the Risk free rate (an active and liquid Government Bond market only exists since 2008), historical premium approach for estimating market risk premium returned less reliable results. Therefore, we estimated Market risk premium using historical market premium for a mature market (as reflected by the MSCI World Index, which tracks performance of developed equity markets) and adjusted it for the Romania Country Risk Premium. We estimated Market risk premium of 7.3%. (reference: Aswath Damodaran: Equity Risk Premiums).

#### *Cost of debt*

Given the fact that, in DCF (FCFF) model we used a period of higher growth of 5 years, we used as the risk free rate the 5Y Romanian Government Bond Yield as of 30-Dec 2015: 2.60%. As for the cost of debt for Albalact, we assumed a credit spread of 140 bps versus Romanian Government 5Y Bond yield.

#### *Beta*

We calculated Beta by regressing weekly and monthly Albalact returns versus corresponding returns of several Bucharest Stock Index Indices. We also regressed Albalact returns versus MSCI Frontier Markets EMEA Index, which includes Romanian equities as well. As coefficient of determination  $R^2$  indicated limited confidence in the regression models, we also checked the industry average beta. We estimated beta of 0.8 based on these two methods.

#### *Capitalization Rate*

We assumed a conservative financing mix, based on data as of end of 2015.

### **Terminal Growth**

We estimate residual growth after T+5 based on conditions of the local economy and conditions of the dairy market in Romania. Based on the aforementioned factors, we estimate a residual growth rate of FCFF at

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<sup>5</sup> Pinto, Jerald E and Jerald E Pinto. *Equity Asset Valuation Workbook*. Hoboken, New Jersey: John Wiley & Sons, 2015. ISBN: 978-1-119-10426-1.

2.5%. This is in line with the long term potential growth of GDP, given the non-cyclical feature of dairy product sales.

Figure 16. DCF Price Targets

DCF Price Targets	Target	Upside
DCF Fair Value - Today	0.42	24%
DCF Price Target - 1Y	0.45	32%
DCF Price Target - 3Y	0.53	56%
DCF Price Target - 5Y	0.62	82%

Source: Company data, Team estimations

Figure 17. Components of WACC

WACC calculation	
Beta	0.8
Risk free rate	2.6%
Market premium	7.3%
<b>Cost of Equity</b>	<b>8.1%</b>
Cost of debt (pre-tax)	4.0%
Tax rate	16%
<b>Cost of debt (after tax)</b>	<b>3.4%</b>
<b>WACC</b>	<b>6.8%</b>

Source: Company data, Team estimations

Figure 18. Capital Structure

Capital structure	2015
Market capitalisation	72%
Net debt	28%
<b>Total</b>	<b>100%</b>

Source: Team estimations

Table 1. Beta Analysis

Beta Analysis	vs. BET-XT	vs. MSCI EMEA
5Y Weekly Beta	0.62	0.49
R-Squared	0.17	0.12
Standard error	0.03	0.05
3Y Monthly Beta	0.41	0.71
R-Squared	0.16	0.13
Standard error	0.05	0.06
5Y Monthly Beta	0.62	0.48
R-Squared	0.37	0.05
Standard error	0.06	0.07
Average Beta	0.56	0.42

Source: Team estimations

### *Multiples Valuation<sup>6</sup>*

To obtain a reliable market-based multiple valuation it is important to identify a set of listed companies that are comparable. There aren't any companies, listed on the Bucharest Stock Exchange, active in the dairy sector, with sufficient liquidity and market depth therefore we looked on global markets, to find a list of suitable peers. One of the shortcomings of the available group of peers is the fact that we identified few listed companies, comparable with Albalact in terms of market capitalization, as most of the companies are much larger than Albalact. However, we screened available companies using the criteria below, in order to make the list of comparable peers as relevant as possible:

- At least 70% of revenues resulting from sales of dairy products (as some of the potential peers are presenting consolidated financial results together with other divisions like fruit juices, bottled water, medical nutrition).
- Companies active mainly in Europe
- Average ROE over the past 5 years at least 5%

We used **EV/EBITDA** to calculate the intrinsic value for Albalact, due to the fact that Albalact has a higher leverage compared to the group of selected peers. EV/EBITDA is capital neutral and therefore can be used to compare companies with different levels of debt.

<sup>6</sup> Valentine, James J. *Best Practices For Equity Research Analysts*. New York: McGraw-Hill, 2011. ISBN 978-0-07-173638-1.

We applied a **10% discount** to the intrinsic value for Albalact shareholders to reflect the fact the identified peers derive their sales from a more balanced mixed of dairy products (milk, cheese, butter, yoghurt), while in case of Albalact, **75%** of sales result from milk products, the final product with the lowest added value among the dairy products . Therefore, our multiple valuation analysis validates the target price resulted from the DCF valuation.

**Figure 19. Peers**

Company name	Country	Product distribution	Market cap (mil EUR)	% of Sales from Dairy
Albalact	Romania	Romania	48.26	1
Schwaebchen Molkerei AG	Germany	Local, mostly Southern Germany	35.6	100%
PIENO ZVAIGZDES	Lithuania	Local 80%, 20% sold in Western Europe	65.5	100%
Dairy Crest	BRITAIN	Local: UK and Ireland	1243.7	100%
Parmalat Group	ITALY	Global	4396.6	93%
PINAR SUT MAMULLERI	Turkey	Turkey, Middles East, Asia, Russia	234.8	83%
Emmi Group AG	WITZERLAND	Global	2230.2	80%
Danone Group	FRANCE	Global	39225.0	70%

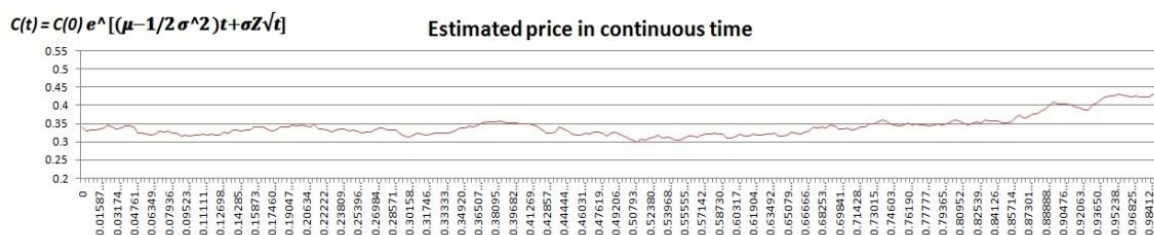
Source: <http://markets.ft.com/> ; Companies reports;

### The Evaluation of Securities in Continuous Time<sup>7</sup>

We have used the evaluation of securities in continuous time, the model being a very useful way to evaluate the securities when we work with shares and when we have an estimated constant growth of dividends. In reality, the quantitative change of the course of securities is realized in continuous time. In order to determine the change of course in continuous time, we have evaluated it firstly in discrete time, further transforming this model in a continuous one.

In the Albalact SA case, the action is log-normally distributed,  $C = X \sim (0.2321860, 0.0443891)$ , and  $C(0) = 0.34$ . According to our calculations, Albalact's course of share after 1 month, 3 months and the mid of next year ( $t = 0,8333$ ,  $t = 0,25$ ,  $t = 0,5$ ), with a probability of 99%, will be in the following ranges:

1.  $t = 0,833 \rightarrow 0,29 \leq C(t) \leq 0,40$
2.  $t = 0,25 \rightarrow 0,25 \leq C(t) \leq 0,44$
3.  $t = 0,5 \rightarrow 0,23 \leq C(t) \leq 0,50$



Our analysis validates the target price resulted from the DCF valuation and from the multiple valuation analysis, due to the fact that the determined intervals provide a target price close to the previous results.

## 8. Post-Analysis Event

<sup>7</sup> Conf. dr. Vasile Brătian (coordonator). Conf. dr. Amelia Bucur. Lector dr. Claudiu Opreana . Suport de curs. Capitolul II – *Comportamentul aleatoriu al valorilor mobiliare și calculul stochastic*. pag. 20 – 36.

On 28-January, France's Group Lactalis announced buying 70.3% stake in Albalact, purchasing the shares held by the RC2 fund and Ciurtin family, at a price of 0.45 RON/share, which, according to our analysis completed in mid-January, is the fair price within 1 year horizon. The deal is still subject to approval by Romanian Competition council. Lactalis plans to launch voluntary public takeover bid to buy the remainder of shares to 100%, if deal is approved. Lactalis would need additional 20% to delist the company.

In April 2008, French group Lactalis acquired Dorna Lactate, the no. 3 market player in dairy products at that time. The value of the deal, although not disclosed then, was estimated between EUR 70mn and EUR 90mn. The market share of LaDorna at the end of 2007 was 5.7%, which translates into an acquisition cost of EUR 12.2 mn per 1% of market share.

After the acquisition of Alabalact Group, if approved by Romanian Competition council, investing in Albalact has become a technical play, with little upside potential given:

- Lactalis Group is looking to delist the company
- The prospects of decreasing free float and liquidity
- Share price increase of 28% following the announcement,
- Albalact shares trading close to our 1 year target price horizon
- Uncertainties regarding new shareholder's strategy

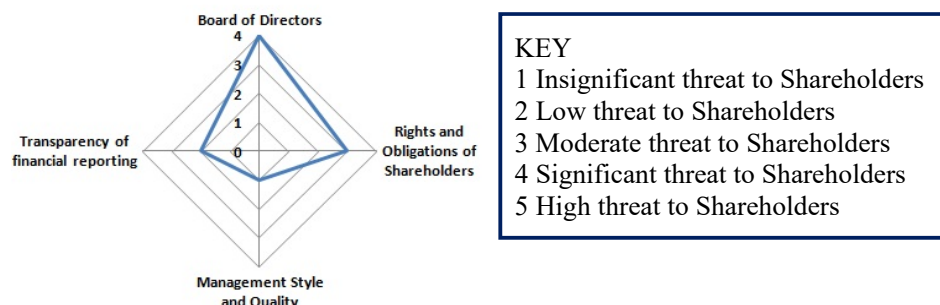
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## Appendix 1 – Management, Governance and Environmental Factors

To analyze the strength of Albalact’s corporate governance, we used as guidance the OECD Principles of Corporate Governance.

The rating on corporate governance used is detailed below:



Management and Corporate Governance		Score
<b>Board of directors</b>	The current structure of the Board of Directors is negative for shareholders. With only three members, out of whom two are part of Ciurtin family, there is significant risk in terms of board independence and whether or not independent board members are acting in the interest of shareholders or management.	4
<b>Rights and Obligations of Shareholders</b>	Albalact currently requires presence of 25% of shareholders vote in order to be able to take decisions. Decisions are taken with a simple majority vote of shareholders present in the meeting. Decisions to amend company by laws, modify shareholder's equity or mergers and acquisitions need 66% shareholder's vote, These approval percentages illustrate moderate voting power of shareholders.	3
<b>Management Style and Quality</b>	Entrepreneurial management. Albalact was the fastest growing dairy producer in Romania over the past 10 years, with a turnover CAGR of 38.3%.  Experienced management team; CEO has a remarkable background as CEO for Coca-Cola Hellenic and Danone.	1
<b>Transparency of financial reporting</b>	Moderate; Quarterly reporting, both local and IFRS standards.  Limited unconsolidated data available for Albalact Logistics and Raraul SA	2
<b>Overall score</b>		<b>2,5</b>

During 2014, Albalact ran a share buyback program, buying 2.4% of shareholders equity, or 15,671,439 shares at a price of RON 0.159/share. The initial shareholders decision stipulated that redeemed shares will be annulled. However, on 21 April 2015, the shareholders changed the destination of the shares that were originally intended to be cancelled and approved a new option plan for the top management. Top management will receive options to purchase Albalact shares, with an exercise price of 0.1 RON/share, 3.5X lower than the current market price as of 12 December. The criteria taken into consideration for the plan to be eligible are: meeting or exceeding the budgeted top line and EBITDA and the opinion of an unqualified auditor for the individual and consolidated financial statements.

In terms of environmental factors, Albalact has been striven to improve. Albalact implemented in 2008 the environmental management system according to the ISO 14001:2004 standard. The factories in Oiejdea and Raraul have modern pollution reducing technologies - filtering installations, wastewater treatment plant, recycling systems for all types of materials (plastic, paper etc.). Together with specialized companies they apply waste separation, they have waste compactors and developed special spaces for waste storage. Moreover, Albalact implemented the ISO 9001 and HCCP - TUV Thüringen Germany quality evaluation systems. The company also implemented the FIFO system for the traceability of products in warehouses. Albalact also implemented the food safety management system according to ISO 22000/2005, certified by

TÜV Thüringen in Germany. The company is evaluated and re-certified every 2 years by TUV Thüringen auditors. In order to provide a safe and appropriate environment for its employees, Albalact also implemented the Occupational Health and Safety Assessment System OHSAS 18001 in 2008. Beside the low to medium threat to shareholders regarding governance, as detailed earlier, Albalact manages quality and safety standards according to ISO9001 and TUV evaluation system as well as Occupational Safety Assessment System as for the social management. The environmental section in management implemented a system according to ISO14001 standard.

**Management team:**

	Name	Role	Since
1	Stephane Batoux	CEO He holds an MBA in “Finance and acquisitions” with Institute of Managementl’Achat Industriel Bordeaux since 1989. Previously he was a CEO of Coca Cola Hellenic for Romania and Moldova (2012-2014), CEO of Danone Romania and Moldova (2000-2011), CEO of Danone Dairy Ukraine (2005-2008), Operational director Danone Dairy Russia (2004-2005), Director of acquisitions Danone Paris (2002-2003)	June/2014
2	Bogdan Paraschiv	Director of technical development and quality He coordinates all development and production and technology lines performance improvement programmes, approves uptaking and processing of raw materials and other materials, and handles modernization process of the company’s infrastructure. He supervises quality control and product traceability. He joined Albalact team in 2006, and from the very beginning he coordinated all internal procedures for acquisition and functioning of modern production equipment.	January/2015
3	Adrian Radovici	Chief Financial Director He coordinates the strategic, operational and tactical objectives of the Finance Department and IT Department. He joined Albalact’s management team in early 2011, bringing along a financial experience acquired in the banking sector.	July/2011
4	Mihaela Anca	As HR Manager, she manages the human resources policy and strategy for all the companies in the group - Albalact SA, Albalact Logistic SRL and Raraul SA. This includes management of the development directions, recruitment, payroll, compensations, safety and environment.	January/012
4	Irina Mandoiu	Business Director of Albalact since 2010. She manages the Sales, Distribution, Trade Marketing, Operations and Business Analysis departments. She leads a team of more than 300 people, is responsible for implementation and development of the sales and distribution strategy across all sales channels of the company, manages the credit system, coordinates market researches, promotions and in-store activities, and participates, together with the marketing team, in brand positioning and launches. Irina joined Albalact team in 2005, and used to work as KA & Trade Marketing Manager before 2010	July/2010

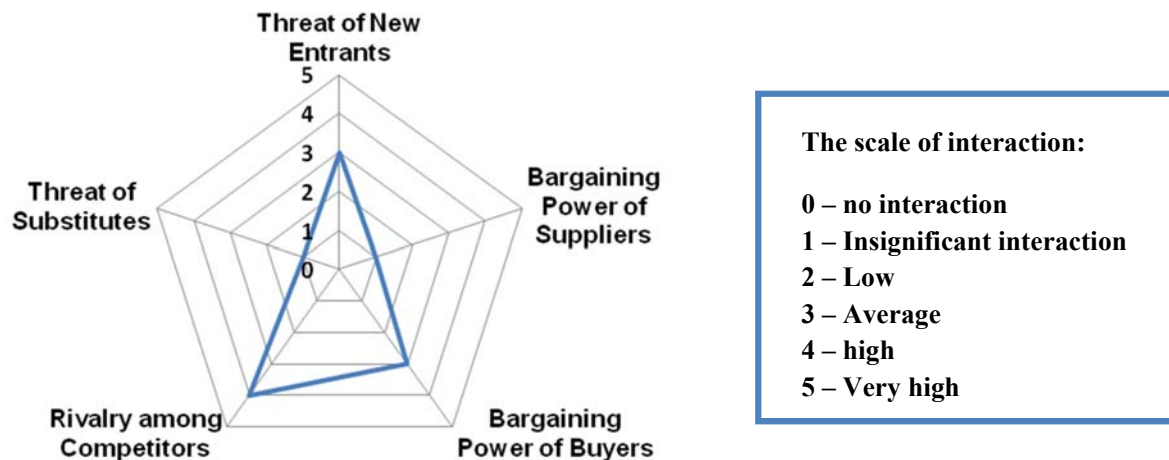
*Source: Company Data, Teams Analysis*

## Appendix 2 – Macroeconomic Assumptions

Macroeconomic assumptions	Source	2013	2014	2015	2016	2017	2018	2019	2020
EURRON avg	Central Bank	4.419	4.4446	4.448	na	na	na	na	na
GDP growth (%)	EC forecast	3.5	2.8	3.5	4.1	3.6	na	na	na
Private consumption growth (%)	EC forecast	0.7	6.2	4.3	6.7	4.4	na	na	na
Growth in compensation of employees (%)	EC forecast	3	1.9	4.4	5.7	6.2	na	na	na
Index of consumer prices (%)	EC forecast	3.2	1.4	-0.4	-0.3	2.3	na	na	na
1Y RON deposit rate (YE %)	RO Central Bank, Team forecasts	4.2	2.5	1.6	1.8	2.5	3.25	4	4.5
5Y Romanian Government bond yield YE (%)	RO Central Bank, Team forecasts	4.68	2.75	2.6	2.95	3.46	4.21	4.74	5.2
Corporate tax rate (%)	Team estimations	16%	16%	16%	16%	16%	16%	16%	16%
Unemployment rate (%)	EC forecast	7.1	6.8	6.7	6.6	6.5	na	na	na
Real unit labour cost (%)	EC forecast	-4.6	-1.5	-0.2	0.7	0.5	na	na	na
General government balance (%)	EC forecast	-2.2	-1.4	-1.2	-2.8	-3.7	na	na	na
General government gross debt (%)	EC forecast	38	39.9	39.4	40.9	42.8	na	na	na
Inflation (%)	RO Central Bank	3.55	1.17	-0.8	-0.3	2.7	na	na	na

Source: European Commission

## Appendix 3: Porter's Five Forces Analysis



**Bargaining Power of Customers – AVERAGE:** There are lots of small, fragmented customers who carry no significant weight, especially since the diversified portfolio of products addresses different segments of consumers. As a dairy product, milk constitutes a mass product, so the buyers are spread geographically. Yet, the cost of switching to competitors brands is low since they can easily pick one type of product over the other from the shelf. However, the main distribution channels for dairy products are hypermarkets and supermarkets. All main hypermarkets and supermarkets started to increasingly promote their cheaper private labels brands. The increasing market share of private labels brands indicates that the price sensitivity of milk products becomes higher. Therefore we assess the bargaining power of customer as Average.

**Rivalry among competitors – HIGH:** Players operate on the market with diversified portfolios, struggling to innovate and enhance continuously their mix. These players are companies with experience on the market and they fight not only over shelf positioning but also over an increasing market potential as well as new market opportunities. Moreover, mergers and acquisitions represent another reason which may toughen competition.

**Bargaining Power of Suppliers – LOW:** Over the last time period, the EU dairy industry has seen supply growth in excess of demand growth which led to a reduced pricing power of suppliers. Milk supplies can either be ensured by own raw materials – to a low extent, or by individual suppliers. Although there is no



significant vertical integration between dairy farms and processors, the supply chain is based on the long-term contracts. Given the large number of farms and their average small size, we assess that supplier power in the dairy industry can be considered as relatively weak. In addition, supplies also consist in pack and technology equipment, but Albalact, which has the benefit of economies of scale has the ability to elevate their business model over small players.

**Threat of Substitutes – LOW:** Dairies are staple foods, consumed on a daily basis and their substitutes should be able to cover the nutritional benefits offered by milk-based products. Lately, the market has been offering alternatives for dairy products, such as soy-, rice-, and nut-based milks and cheeses which are generally lower in fat and calories. However, the availability of these substitutes is not attractively priced and these milk substitutes represent only marginal market share.

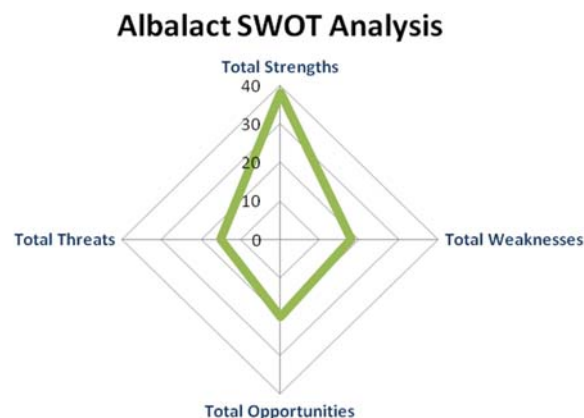
**Threat of New Entrants – AVERAGE:** The barriers to entry the industry are set high, especially because of the inability to easily match the technology, the advanced infrastructure and specialized know-how of the already operating players. Moreover, the raw material procurement as well as the economies of scale are difficult to match by others. There is high capital requirement and the investment decisions include costs such as processing, marketing and not only. In addition, for new entrants there is difficult access to distribution channel, since they have to displace others from supermarket shelves via price breaks or promotions. Still, new entrants cannot emerge only as domestic, but also as international players, therefore we assess the threat of new entrants as Average.

**Future Outlook as a Whole** –The removal of milk production quotas for European dairy products has definitely meant a big change in the industry. As a consequence, companies that have a clear an up to date understanding regarding to what changes will take place, will be in the best position to build strategies, maximize opportunities and minimize threats.

*Source: Company Data, Teams Estimations*

#### Appendix 4: SWOT Analysis

In order to analyze the overall position of Albalact, to identify the favorable and unfavorable factors to the company and to grasp a better understanding of its relative market position, the SWOT analysis was built. The analysis was created around a series of categories within in each section, being ranked according to their likelihood.





<b>SWOT Analysis – Primary factors</b>	
<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• <b>Demand profile: milk – necessity product, demand bound to increase over a period of time</b></li> <li>• <b>Margins within peers average, expected to improve</b></li> <li>• <b>Flexibility of product mix – possibility to add a wide array of products to its product line (e.g. fruit juices)</b></li> <li>• <b>Distribution well planned through own logistic company</b></li> <li>• <b>Economies of scale</b></li> <li>• <b>Marketing effectiveness</b></li> <li>• <b>Modern production facilities, technological advantage</b></li> <li>• <b>Diversified product range: of the top 5 companies, only Friesland, Albalact and Olympus compete across all dairy segments</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Perishability of the products – partially overcome by pasteurization – UHT gives milk long life</b></li> <li>• <b>Lack of control over milk price</b></li> <li>• <b>Disruption in supply chain (e.g. lower milk supply available in winter time)</b></li> <li>• <b>Slow receivables collection</b></li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• <b>Potential market growth – for both traditional and processed dairy products</b></li> <li>• <b>Vertical integration</b></li> <li>• <b>Increased weight of higher value added products – flavored milk, dairy sweets, bio products, infant foods</b></li> <li>• <b>Export potential – strong basis of cost efficiency which can be leveraged on the international market</b></li> <li>• <b>Potential for market consolidation via acquisitions</b></li> <li>• <b>Increase efficiency of exploiting assets of Albalact Logistic</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Infestation – incidents of bacterial contaminants</b></li> <li>• <b>Business Climate - Increased cheap imports</b></li> <li>• <b>High competition, supermarkets promoting cheap private label brands</b></li> </ul>

**Source:** Company Data, Teams Analysis

# MILLENNIAL GENERATION

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## Abstract

The research work has as objective to determine strong factors recording to Millennial Generation, a youth travel generation, running for their dreams. The internet revolution had a huge impact for the tourism industry, helping (or not) to promote new destinations on social networking, regarding to memorial experiences. Youth travel demands must be implemented in every hotel to survive. Smaller rooms, free WIFI, USB ports, shorter check-ins, plugs; these are some of the changes that are recommended by the big chain hotels. On the other hand it's not a safe world, there are measures for a safe journey and accommodation.

**Keywords:** Millennial Generation, Youth Travel, Accommodation, Mobile Marketing

## 1. Introduction

Even from ancient times, human moved from a place to another because of religion, health, weather or a simple wish to discover new places or for a better life. There for, we can approve that tourism is a complex activity. It seems that tourism is a good alternative of economic diversity for many countries, especially low evolved countries. These countries suffer of hard access to raw materials, high technologies. There for, tourism is a stability element, owned by the services sector who is the most important and rigorous economy component in all evolved countries.<sup>8</sup>

In Europe the tourism industry generates more 5% of U.E's GDP and almost 6% workforce (that's over 9 million jobs).

Millennial Generation presents a challenge, because it's a complex domain, but also the desire of motivating, detailing and make a conclusion of the importance of tourism, by passion for this domain. This generation is different of the other 2 generations (X generation and Baby Boomer Generation), they focus on memorial experiences shares on Facebook, Twitter, Instagram, Youtube, chasing dreams, the desire of knowing new cultures and new technologies. That's why they are always connected to new information.

## 2. International tourism evolution

We can characterize tourism evolution as international and global, by a increasing of economic, politic, demographic, social, personal and cultural factors. The tourism industry has one of the most dynamic sectors of activities, being the most important generator of jobs.

International tourism has the greatest increasing because of the human desire to discover new places and things, other civilizations. The technical progress in the transport domain made that any journey, no matter the distance, to be relative fast and comfortable.

World Travel Trends Report, specialized in european travelling, says that in 2014<sup>9</sup>:

- Tourists prefer shorter distances
- Costs increased by 4% per night
- Online booking increased by 7%
- Rural tourism increased by 10%
- Business traveling increased by 4%

Now I would like to explain the international evolution in the period 1995 - 2010 (estimate 2020):

**Table 1. The international arrival evolution in the period 1995 - 2010 (estimate 2020)**

	<b>International Arrivals (1000 tourists)</b>
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<sup>8</sup> Cosmescu, I., Nicula, V., Tileagă, C., : *"Diversitatea și calitatea serviciilor turistice – Premisele dezvoltării economice durabile în Bazinul Mării Negre"*, Ed. Constant Sibiu, 2004, p.5

<sup>9</sup> Ziyath, A., : *"ITB Travel Global report 2014 - 2015"*, Messe Berlin, 2014

<b>Continent</b>	<b>1995</b>	<b>2010</b>	<b>2020</b>
Africa	12.6	47	77.3
America	108.1	190.4	282.3
<b>Europe</b>	<b>319.6</b>	<b>527.3</b>	<b>717</b>
Asia and Pacific	92.7	205.2	416
Middle East	8.7	35.9	68.5
<b>TOTAL</b>	<b>551.7</b>	<b>1.006,4</b>	<b>1.561,1</b>

Source: Ene, M., Tatu, F., T., - "Terra. Regiuni geografice și turistice"

All regions had the international arrival increased in the last years, especially Europe, the most visited continent. In the period 1995 - 2010 youth international arrivals increased by 65% and in the period 2010 - 2020 estimations say that the youth arrivals will increase with 36%. So, in 10 years we have a 101% increasing. This high percentage is given also by the Asians youth and it's birth population grew (U.N.T.W.O says that in 2030 in China there will be over 333 million young people, between 15 and 35 years old, and in Indonesia over 82 million people, approx. German population today).

Because of advanced services, tourists want places they know, with traditions and historic centers. At the beginning of 2015 London (U.K) become number one most visited cities in the world, followed by New York and Bangkok.

Bellow I will present the situation for the number of visitors and receipts for 2015 - 2016. I will create a top 10 the most visited cities in the world, expressed in million visitors, but also the receipts, expressed in million €:

**Table 2. Estimate data for visitors and receipts for 2015-2016**

	Destination	Countries	Visitors (million)			Receipts (million €)		
			2015	2016	2016/2015	2015	2016	2016/2015
<b>1</b>	London	U.K	17.30	18.69	8.0%	17.00 €	19.30 €	13.40 %
<b>2</b>	New York	U.S.A	16.08	16.81	4.53%	16.40 €	18.60 €	13.00 %
<b>3</b>	Bangkok	Thailand	15.46	14.42	-6.72%	15.80 €	13.00 €	17.00%
<b>4</b>	Paris	France	15.29	15.57	1.8%	15.80 €	17.00 €	7.70 %
<b>5</b>	Singapore	Singapore	12.10	12.47	3.1%	13.30 €	14.30 €	7.60 %
	Seoul	South Korea	8.24	8.63	4.7%	10.80 €	11.50 €	6.30 %
<b>6</b>	Dubai	Saudi Arabia	11.1	11.95	7.5%	10.00 €	10.90 €	9.00 %
<b>7</b>	Istanbul	Turkey	9.87	11.60	17.5%	8.00 €	9.40 €	17.10 %
<b>8</b>	Hong Kong	China	8.26	8.84	7.0%	7.60 €	8.30 €	9.70 %
<b>9</b>	Tokyo	Japan	5.05	5.38	6.5%	6.00 €	7.40 €	18.00 %
<b>10</b>	Roma	Italy	6.63	6.79	2.5%	5.20 €	5.60 €	7.90 %

Source: Eurostat

London become number one as the most visited city in the world (with 17.3 million visitors in 2015), followed by New York (with 16 million visitors) and Bangkok (15.4 million visitors). Financially, London receipted in 2015 almost 19.3 million (increased by 13.5% compared to 2014), New York receipted in 2015 almost 19 million € (increased by 13.4% compared to 2014) and Bangkok receipted in 2015 almost 13 million € (increased by 17% compared to 2014).

### 3. Youth tourism market in international tourism

Although youth tourism is one of the less effective sectors, Australian Tourism Commission (ATC) made a market youth statistic. The results say that, although daily youth travel costs are low, the stay is longer than the other category of tourists. There for, the final costs of a young traveler in a country increases.

When we talk of international tourism market, we talk about:

a) *Depending on the nature of tourist flows, international tourism market is:*

- Market etting tourists -> advanced countries when we talk about economy and reduce tourism resources.
- Welcoimg tourism market -> countries that have a natural diversity tourism potential, with infrastructure and important base tourism material.

- b) *Depending on product consumer characteristics and tourism services:*
- Luxury international tourism market
  - Middle class international market
  - Mass tourism<sup>10</sup>

**Table 3. International tourism per continent**

<b>International tourism per continent (2014 statistics)</b>		
<b>Continent</b>	<b>International Tourism arrivals number (million tourists)</b>	<b>International tourism Receiptes (billion \$)</b>
America	181 (16%)	274 (22%)
Africa	56 (5%)	36 (3%)
Middle East	51 (5%)	49 (4%)
Europe	582 (51%)	509 (41%)
Asia and Pacific	263 (23%)	377 (30%)
<b>TOTAL</b>	<b>1.133 million arrivals</b>	<b>1.245 billion \$</b>

Source: UNWTO, “*International tourism 2014*”, e-unwto.org, 2014

International tourism receipts in 2014 was almost 1.245 billion \$. These increased by 3.7% (that’s 48 million), compared with the receipts in 2013, 1.197 billion \$.

International tourism arrivals in 2014 was aprox. 1.133 million tourists. These increased by 4.3% (that’s 50 million), compared with the arrivals from 2013, 1.085 million arrivals.

#### 4. What is the Millennial Generation?

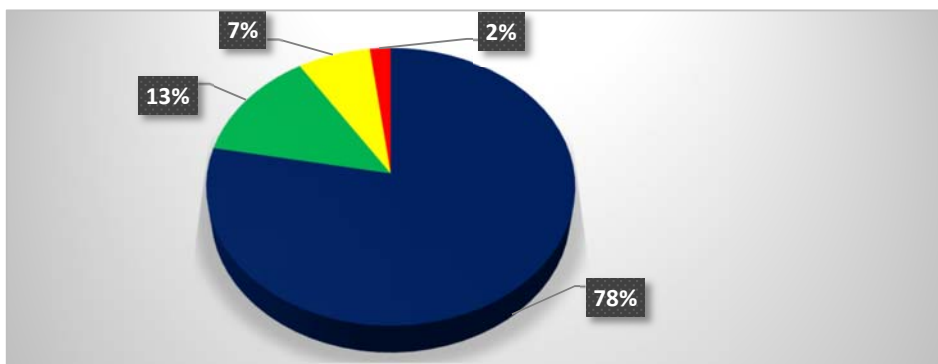
The Millennial Generation is the new concept brought to youth people born between the 80’ - 2000 and the age between 15 and 35 years old. This generation is more active, spontaneous, with other priorities then the other 2 generations: The X generation and the baby boomer generation. They enjoy the opportunities given and want to be in control of their own life.

As a consumer, a young Millennials represents the following ideas:

- There are aware of the globalization concept and live their life always connected with hot news. This represents a way of life.
- The new gadgets and technologies are not something new
- WYSE Confederation (the only association for youth travelers) brings another 3 ideas:
  - 70 % of the young consumers do online researches before taking off on a trip.
  - When they choose a service of product, mobile online devices are the key for the youth travelers.

In the next steps I would like to present the Millennial Generation, on ages. This is a 1980 research situation by The American Economic Research.

**Figure 1. Millennial Generation, on ages (1980)**



Source: The American Economic Council - “15 factors for Millennial Generation”, 2014

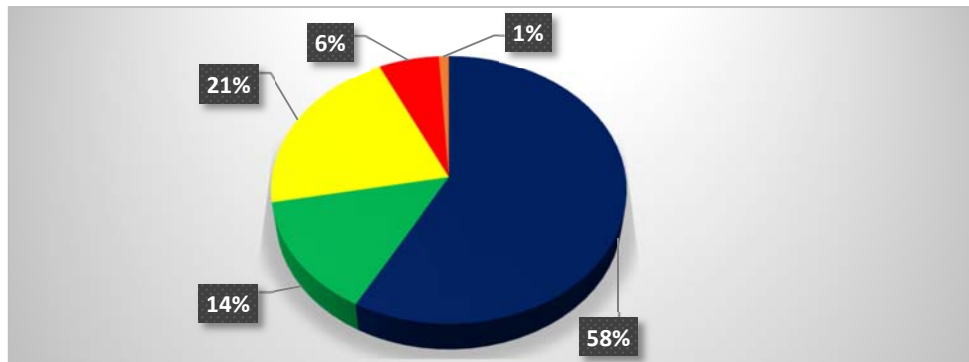
<sup>10</sup> Cătoi, I., Balaure, V., Vegheș, C.: *Marketing turistic*, București, Ed. Uranus, 2007

78% - European race, 13% - Black race, 7% - Spanish race, 2% - Asian race

As we can see in figure, in the 80's, the European race was at 78% of young travelers, 13% of young travelers were black race, 7 % Spanish race and 2 % of young travelers were Asians.

Now, I would like to present the Millennial Generation, on ages, but this time age 2012.

**Figure 2. Millennial Generation, on ages (2012)**



Source: The American Economic Council - "15 factors for Millennial Generation", 2014

58% - European race, 21% - Spanish race, 14% - Black race, 6% - Asian race, 1% - other races

We can see that in the last 3 and a half decades the European race decreased 20% from 1980 at 58% in 2012. Black race increased by 1 % from 1980, with 13% - 14 % in 2012. Spanish race increased from 7 % in 1980 to 21 % in 2012 (that's 14 % increasing). Asian race increased from 2 % in 1980 to 6 % in 2012 (that's 4 % increasing).

Gold Sachs Global Investment Research compares the 3 generations (X generation, Millennials and baby boomer). We have the following conclusions<sup>11</sup>:

- The baby boomer generation is born after World War 2 (between 46' - 64'), with 77 million youth people.
- The X generation is born between 65' - 80', with 61 million youth people.
- The Millennial Generation represents the new concept of youth travelers, with online memorial experiences. It's a modern society, with other priorities. The focus on trips, live with their parents, don't have a stable job, they can easy accommodate to new ideas of life. Their number exceeds 98 million.

## 5. Millennials, the new strategy for companies and destinations

Internationally, young tourism represents 20% of traveling. We can include The Millennial Generation in these subsectors:

- Independent travelers - young people or students who go on a trip
- Pharasal tourism - tradition destinations become more attractive for youth travelers
- Working holiday - from 3 to 12 months Millennials temporally work and travel, international. Using Work&Travel agencies youth travelers have the opportunity to work international (country members for this project) for a limited time.
- Study opportunities - Millennials are signing up for study opportunities in different countries. Erasmus+ program is one of them.

Big hotels from all over the world are always looking to improve their strategy to attract Millennials. There for, Marriott International, Hilton Worldwide say that over 35% of their clients are Millennials. They say that we need to change the traditional way of welcoming. These are some ideas:

<sup>11</sup> Goldman Sachs Global Investment Research 2014 - "Millennial infographic", 2014

- The business centers must be adapted for the young to feel comfortable. Common tables, couches or comfortable chairs will help the hotel design to be more parental, a place where you are feel like home.
- Restaurants offer healthy food served in the lobby.
- The rooms are smaller, but with design and attractive furniture.
- Ever room, the hallway, the restaurants most have USB ports, sockets and free WIFI.

Starwood Hotels & Resorts Worldwide has ever 1.100 hotels in over 90 countries and it's own digital team. They came up with a strategy, functional for now only in the U.S.A - California. O smartphone application compatible with some smartphones that gives the client the opportunity to climb up in the room without staying at check-in or check-out. It's simple: after reserving a room online, the client receives a code on his/hers smartphone that opens the room using bluetooth. <sup>12</sup>

## 6. Youth - tourist segments that adopted new technologies intro tourism industry

Unavoidable, the information technology (I.T) had a huge influence over the world. Communication and organization strategies have increased flexibility, productivity, interactivity and, of course tourism competitiveness. This I.T evolution is responsible for the changing of tourism organization and succeeding depends of the speed adaptation at client needs.

Facebook, Instagram, Google+, Twitter, Youtube, Blogspot. These are some of the social network platform used by youth travelers to express their memorial experiences. If you want to promote a new destination, you don't have to spend large sum of money for publicity. If the destination completes the minor demands by Millennial, you can be sure that inevitable they will recommend to their place. Specialists call this Viral Marketing - is different for the tradition marketing measures. Many Millennials express their memorial experience to other friends on social networking (videos, selfie, detailed notes). They don't care about celebrity publicity anymore because they know that someone is paid to claim the new destination. The new kind of publicity is much faster and must important it's free (we can call it also world of mouth). This doesn't mean that the tourism industry most wait. They always must improve new opportunities and activities to attract youth travelers so they can tell their friends about the wonderful journey.

## 7. Accommodation and safety opportunities

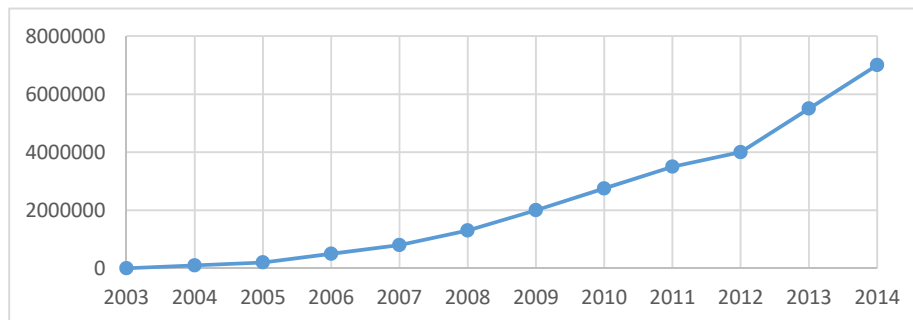
### 7.1. Accommodation opportunities

Youth people have different preferences and different opinions. When they arrive at a destination, Millennials must eat and sleep somewhere. The prices for a hotel room are different and some of them high and we know that a young's budget is low, that's why we have these services:

- Couchsurfing
- Airbnb

🚩 The concept of *Couchsurfing* is an international hospitality service for young travelers that want a cheap accommodation. The prices for a hotel room are different from one hotel to another, it depends the hotel's occupancy and so on. Founded in 2004, this concept started as an alternative for youth travelers to offer accommodation where there isn't a hotel, or if it is, the price is high. Next, I will present the evolution of active users amount the years:

**Figure 3. The evolution of active users on Couchsurfing**



Source: Goldman Sachs Global Investment Research, 2014

We can see that after it was founded, the next year, Couchsurfing had 100.000 active users. Amount the years, the data base that I was talking about earlier grow with many opportunities and so the active users grow to

<sup>12</sup> Gross, D., - "Your smartphone could replace hotel keys", CNN, 2014

7.000.000 active users in 2014. Couchsurfing statistics Infogram tells us that 53 % of the active users are males and 47 % are women. Above I would like to present top 10 country active users:

**Table 4. Couchsurfing active users/country**

Top 10	Platform	Country	Active users	Percentage
1.	Couchsurfing	U.S.A	874.363	35%
2.		Germany	379.932	15%
3.		France	344.927	14%
4.		U.K	168.024	7%
5.		Canada	163.603	7%
6.		Spain	130.422	5%
7.		Italy	124.659	5%
8.		Brasil	110.150	4%
9.		Australia	107.560	4%
10.		China	95.469	4%
-		-	Aprox 7.000.000	100 %

Source: infogr.am - “Couchsurfing statistics Infogram”

We can see that U.S.A has 35% active users (874.363 active users) and it makes it number one as user number percentage, Germany is in second place with 15% (379.932 active users) and France third place with 14% (344.927 active users).

There are youth travelers who prefer exotic places to relax and have the time of their life. Thailand is a perfect destination, at attractive prices. Bellow I will present accommodation prices in Koh Phangan according to survey (1 - 5, where 1 is not satisfied and 5 is very satisfied) from each hotel. We will find out that some hotel prices are better seen and used by youth travelers.

**Table 5. Alternative accommodation for Millennial Generation in Koh Phangan (Thailand)**

Name	Type	Price	Opinion
Anantara Rasananda *****	Villa	205 €/night	4.8 / 5
Santhiya Resort & Spa *****	Villa	120 €/night	4.7 / 5
Sunshine Residence ****	Villa	150 €/night	4.0 / 5
Salad Buri Resort & Spa ****	Villa	43 €/night	3.9 / 5
Haad Yao View Resort & Spa ***	Room	23 €/night	3.5 / 5

Source: Koh-Phangan.ws

I presented accommodation prices in Koh Phangan according to client opinion. We can see that Sunshine Residence is a four star hotel and has a price of 150 €/night, comparing to Santhiya Resort & Spa that is a five star hotel and a price of 120 €/night and its client opinion is a better choice for travelers (4.7 / 5). That's a difference of 30 €/night. If a client prefers a cheaper room we have Haad Yao View Resort & Spa at 23 €/night.

✚ Airbnb was founded in 2008 by Brian Chesky and Joe Gebbia and it's a trustful community for different persons that want to travel and to have a house guaranty. The platform offers last-minute accommodation and normal accommodation uniting over 60 million travelers in other 190 countries and 34.000 cities.

## 7.2. Safety opportunities

STAY WYSE (Safe Travel Accommodation for Youth) is the only non-profit association who represents the whole sector of accommodation for youth. Their mission is to recommend secured accommodation units, at low and right prices for young travelers. It was founded in 2006 by a group of youth tourism providers to offer real information about right and safety accommodation. Between their targets, we have<sup>13</sup>:

- To create a powerful and representative profile that will respond all youth needs when it comes to secure and right accommodation
- Real accommodation statistics and information

<sup>13</sup> WYSE Confederation - Accommodation for youth people”, STAY WISE

- Activities to encourage service accommodation evolution for youth travelers

## 8. Recreation

Although we talked about accommodation opportunities, security measures for youth travelers we have to talk also about free time and nightlife. These are some offer examples for young travelers:

- Blue Club (Luzern - Switzerland) is the ideal concept for new standards of inside design. With Chinese and Japanese elements of design, bleached oak panels and colored embroidery, the club attracts any attention, even for the most exigent youth.
- Casineum Club (Luzern - Switzerland) is situated in the middle of The Grand Casino Luzern. Initial it was a theater hall, but among the years a large numbers of youth travelers wanted a special club, with a mixed design between classic and modern.
- Located on the famous Playa la Troya sands, Monkey Beach Club (Tenerife) is a *über-trendy* (about fashion) bar with a view to the Atlantic Ocean and it is one of the most wanted places for youth travelers that want an active holiday on the beach.
- Kon Phangan (Thailand) is an exotic destination for youth travelers that want to spend white nights and holiday adventures.
- Thessaloniki (center of Athena, Greece) is the synonym for non-stop events. It has one of the most wonderful ancient-modern parties in the south of Europe.

## 9. Conclusions

The Millennial Generation is a new concept brought to youngers who are born between the 80' - 2000, with ages between 15 and 35 years old. This generation puts accent on memorial experiences that can be shared on social networking platforms (such as Facebook, Instagram, Blogspot, Twitter, Youtube), health, education, catching their dreams and control on their life.

The tourism industry have to improve new strategies to attract youth travelers, but for this we must understand their demands and most of them must be implemented to survey. Hotels must have smaller reception desks and smaller check-ins, smaller rooms, USB ports, plugs, free WIFI, the possibility to open their hotel room using their smartphone and different kinds of price packages.

Youth travelers must have the guaranty for a safe travel and right price. That's why different platforms, such as Airbnb and Couchsurfing, offer the best and right opportunities. When we talk about recreation, exotic places are the most wanted by youth travelers. We talk about the opportunity to learn new cultures, stay near the sea of white night entertainment of beaches. STAY WYSE is the only association for youth travelers. They offer opportunities for Millennials, such as different new about the the wanted destination (statistics, right prices, war of politic problems, natural disasters and so on).

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# THE BENEFITS OF BLENDED LEARNING CONCEPTS APPLIED IN TEACHING PROCESS

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## Abstract

This paper presents issues on realization of the computer in the learning process and captures basic theoretical ideas and practical research, materialized in a case study regarding the use of the specialized program in teaching.

Blended learning is the process of training achieved by combining direct instruction with CBT (Computer Based Training) or WBT (Web Based Training). This reflects the complementarity of the two forms of teaching and refers to the use of the advantages of both forms of teaching to achieve superior results. It is a denial of evolution to ignore one form of teaching, both of them presenting advantages and disadvantages, so combining the two and diversify teaching methods creates an interactive learning environment, conducive to students. The theme has a very high range of application areas, so it is a topic of general interest. Basic issues, especially the practical ones, are known by individuals from all professional levels, but the concepts which go into detail the idea of assisted instruction, e-learning and blended learning have a broader development that require further study.

**Keywords:** education, blended learning, e-learning

## 1. Theoretical aspects

Around 70s there were numerous attempts to build a " learning machine ", to streamline training activities through automation, demonstrating first intention applied to generate training programing and e-learning programs that we know in present day. Until the advent of the computer there weren't recorded significant progresses, but this tool has led to change and streamline all the activities performed in society, including learning. *The computer gradually fulfills all the functions postulated some time ago by a rudimentary training machine, and it is currently providing not only extremely efficient visual aids by their graphic structure, but also the possibility of using sound effects.*<sup>14</sup>

Its use facilitates the solving of any kind of problems, helps the managing of any kind of notions, outlining, through the information, any activity undertaken by humans, being also a support tool in human reasoning. Continuous improvement of computer prints a character of permanent investment in a better information management system, being also a burden to constantly update and permanent streamline of the activity, of the time spent, working to remove down timings which are present in an activity and create new links and useful functions.

The computer has extended, in time, its memory and speed transmission of the data via Internet or other types of connections, replacing other sources for achieving documentation, like writing by hand or typewriter. So it becomes the best way to operate data. It can serve as an instrument of informing, of illustrating the knowledge gained, of practice, simulation, implementation and strengthening the data. Working with the computer, the student acquires the competence to explore, select, systematize and store information, for managing the learning activity. *Thus we speak of it as an "assistant" of the professor.*<sup>15</sup>

In learning process, the computer began to be used since the appearance, around 1960, being found only in the educational institutions field, following that, in future, the labs or virtual classes to be created.

All these aspects that were mentioned above have generated the e-learning process in schools and at institutions. E-learning means a learning process that relies on electronic instruments, being synthesized as a learning process that is focused on using mainly the computer, which offers a mix of audio-visual communication and storage sources and ways of communicating with other devices.

E-learning combines all necessary aspects of a learning process: teaching process, learning process and teaching content, facilitating communication between them and networking. In a paper published in "The Turkish Online Journal of Educational Technology " are presented six types of mutual relations which appear in e-learning process, also being exemplified:

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<sup>14</sup>Konnerth, Sara: *Instruire asistată de calculator. Evoluția instruirii asistate de calculator: curs universitar*, Publisher of "Lucian Blaga" University, Sibiu, 2009

<sup>15</sup> Ștefan, Mircea: *Lexicon pedagogic*, Bucharest, 2006

No.	Relation	Examples
1	student-student	chat, forum, email
2	student-content	download, search, view, create
3	student- professor	chat, forum, email
4	professor-professor	chat, forum, email
5	professor-content	upload, view, create
6	content-content	linking, indexation

*Table 1 – Relationships formed in e-learning process*<sup>16</sup>

We can see that the usage of this way of teaching is providing a good information fluidity, the ease of correcting or updating the existing information package.

The computer as a tool for e-learning is seen as a diversification of the learning ways, and it prints a more complete view of the concepts that must be learned. Since the genesis of its name, the multi-media way of presenting the information brings benefits of using multiple modes of interaction with the user.

But there are some barriers into implementation, such as: teachers do not feel prepared to use new technology; equipment maintenance costs are high; the preparation of an online course is more expensive; the so-called „dehumanization" of courses (the development of new technologies being detrimental to interpersonal communication).

Some specialized studies highlight different structures of interaction: a person remembers 10% of what she reads, 20% of what she hears, 30% of what she sees, 50% of what she sees and hears, 80% of what she says, 90% of what she says and does in the same time [Maddalena, 1997], respectively people retain about 20% of what they see, 30% of what they hear, 50% of what they see and hear and up to 80% of what they see, hear and do, simultaneously [Karaliotas, 1997].<sup>17</sup>

Therefore, it is noticeable the benefit of the complementarity of different learning styles through virtual devices. Even the heterogeneity of the students is an advantage of promoting e-learning, by covering different perception and learning skills of different individuals. Thus, learning through multi-media resources is turning students from passive learners into active learners.

It is worth mentioning the freedom of choosing from different sources of information, the diversity of sources and the information mobility. The student is placed in front of an infinity of information. *The traditional assistance in their choice is no longer operative, the student carrying out an increasingly larger responsibility in choosing, sorting and evaluating information.*<sup>18</sup>

But the first question that must be asked by the interested parts of such learning process is whether students have the necessary knowledge through the participation of an e-learning course. The aspects that are necessary for participating in a virtual lesson are usually shared in four categories, namely: *basic knowledge of using computer, knowledge of editing in Word or another program to draw up a text, minimal knowledge of surfing and using e-mail to facilitate communication.*<sup>19</sup> If we add teachers, they need to master methods for realization of presentations in software presentation.

Teachers are the cornerstone in the implementation of e-learning in lessons because, on the one hand, they are the ones who have to support students who interact, and, on the other hand, they have to fully exploit the technology in order to enjoy its advantages in teaching and learning. If used correctly and

<sup>16</sup> Pardamean, Bens; Suparyanto, Teddy: *A systematic approach to improving e-learning implementations in high schools*, The Turkish Online Journal of Educational Technology, volume 13 issue 3, Indonesia, July 2014

<sup>17</sup>Prof. dr. Rosca Ion Gh., prof.dr. Apostol Constantin-Gelu, Conf.dr. Zamfir Gabriel: *E-learning – paradigma a instruirii asistate*, Chair of Economic Informatics, Academy of Economic Sciences, Bucharest, 2002

<sup>18</sup>Dr. Agnes Erich; Dr. Niculina Vârgolici: *Promovarea e-learning-ului în mediul universitar*, Studii de Biblioteconomie și Știința Informării, issue 12, pages 132-139, Bucharest, 2008

<sup>19</sup>Pardamean, Bens; Suparyanto, Teddy: *A systematic approach to improving e-learning implementations in high schools*, The Turkish Online Journal of Educational Technology, volume 13 issue 3, Indonesia, July 2014

completely, the technology enhances learning and encourages collaboration to succeed in reaching an objective, facilitating, therefore, the social skills. To ensure successful implementation of e-learning in learning process and increasing social mutual relations between students is necessary to apply appropriate teaching methodology and an advanced pedagogy, enabling the creation of a powerful interactive medium.

The determinant facts that ensure the efficiency of higher education conducted in the electronic way are the educational process, the educational environment, the curricula and the management and integration of student referrals and feedbacks.

Of course, it is a permanent need for updating the content, the style and the teaching methods. If teachers will be able to permanent review their teaching style, then, they will be receptive to accept and manage other styles that are proposed.

In the publication "The conditions of the effectiveness of e-learning in higher education" there appear some aspects about learning styles, that we talked about antecedently, and we concluded that e-learning helps to combine and personalize the learning process for each teaching style. This work brings out the dividing of the students or learning styles in styles that are dependent or independent from the field. This aspect refers to the perception of the things that must be learned. The field addicts tend to perceive structures as a whole and they show difficulties in analyzing specific issues, they share problems on what is relevant and what is not. The independent field students are able to see parts of a structure. Researches show that interactive learning environment is advantageous for active students, that are independent from the field, and creates hardship for students addicted to the field, who require more guidance and possibly help. *As such, it is worth to build a system where student can change the learning strategy depending on individual needs.*<sup>20</sup>

	<b>Dependent from the field student</b>	<b>Independent from the field student</b>
Teaching material structure	Global: from general to specific	Analytic, from specific to general
Directing	Implemented directing program	Training students through menus
Guidance	Explicitly entry access, maximum support	Individualized entry access, minimal support
Relocation	Maximal	Minimal
Organizing content	Default	Later concluding
Structure	Structured teaching material	Possibility of own structure

**Table 2 - Strategies for learning process for different types of students**

Looking on all these issues about e-learning, or learning by using a computer, we ask ourselves: Is it better to use the traditional style of teaching or is it more effective to appeal to the new teaching methods using electronic tools? The answer is found in the definition of "blended learning".

Blended learning is the training process achieved by combining direct instruction with CBT (Computer Based Training) or WBT (Web Based Training).<sup>21</sup> This reflects the complementarity of the two forms of teaching and refers to the use of the advantages of both forms of teaching to achieve superior results. Blended learning mixes various event-based activities, including face-to-face courses, e-learning in real-time or self-learning. This is so often a mixture of traditional training led by an instructor, conferences and online training, self-training in asynchronous way or structured training at work in a mentor-worker experience.<sup>22</sup>

The publication "Building Effective Blended Learning Programs" assigns to blended learning the particularity to form by one or more dimensions. These dimensions are as follows.

*Blending Offline and Online Learning.* This dimension refers to the basic level proposed by blended

<sup>20</sup>Élthes, Zoltán: *Condițiile eficienței e-learning în învățământul superior*– „Babeș-Bolyai” University, Faculty of Economics Sciences, Cluj, 2013

<sup>21</sup>Konnerth, Sara: *Instruire asistată de calculator. Evoluția instruirii asistate de calculator: curs universitar*, Publisher of "Lucian Blaga" University, Sibiu, 2009

<sup>22</sup>Singh, Harvey: *Building effective blended learning programs*, Issue of Educational Technology, Volume 43, Number 6, Pages 51-54, November - December 2003

learning, which mixes the experience of online learning environment, using the Internet or intranet objects, and the offline environment, which applies in a more traditional way, by direct teaching.

**Blending Self-Paced and Live Collaborative Learning.** This dimension refers to individual, solitary learning, controlled by the student only and collaborative learning, which involves a great dynamism between students and a continuous communication between them, in order to develop knowledge.

**Blending Structured and Unstructured Learning.** This style of learning refers to capturing information that is flashing in unstructured learning (in conversations, e-mail, chat, articles, etc.) and framing them into a structure, in order to diversify and streamline the learning.

**Blending Custom Content with Off-the-Shelf Content.** This dimension of blended learning refers to learning programs that are modeled depending on the context or the learning needs of the group or classroom, which can be made by the teacher or acquired from companies that are specialized in creating, shaping or personalizing the study programs.

**Blending Learning, Practice, and Performance Support.** Perhaps the finest form of blended learning is to fulfill the learning process with practice experiences (ex. Simulations) and real-time support to facilitate the correct application of the theoretical concepts.

It is noticeable the palette of the choices of options for blended learning and e-learning. The future brings with it the promise of a better interrelation between different methods of teaching, dotted with a permanent update and adaptation of the teaching materials to these developments. Currently we do not have the necessary resources, nor sufficient scientific research materials to use the blended learning concept at its greatest capacity .

Another aspect to consider about the global economy is the pace of the continuous development of the e-learning market and the investment potential that is constantly increasing. According to an article, published on the website [elearningbrothers.com](http://elearningbrothers.com), the largest development of the e-learning resources production market was, in 2014, surprised in China, India and Australia, followed by Eastern Europe, that is led by Russia.<sup>23</sup> Another report, lead by brand Dacebo, mentions that the value of the whole e-learning market was reaching a level of 35.6 billion dollars in 2011, with an average of annual growth of 7.6%, and an expectation regarding 2016 to reach a total value of 51.5 billion dollars. According to this study, in Eastern Europe the main investors in e-learning market are the region's governments.<sup>24</sup>

E-learning is more developed inside companies and non-governmental organizations, followed by some institutions of higher education which have funds and resources superior to the primary and secondary educational institutions, where, unfortunately, the predominantly style of teaching remains the traditional one.

In order to establish the theoretical part presented previously I'll use the notion of blended learning, in particular the size of *Blending Learning, Practice, and Performance Support*, which I will apply to the group of students from Accounting and Management Information Systems specialization, third year, in the Advanced Accounting discipline. I chose this approach because the proposed discipline has a very large area of application, being, also, known as a distinct profession. So, applying that size of the blended learning concept and combining the theory with practice, using the computer training, fits very well in the teaching process.

## **2. Methodology**

Through this case study I wanted to observe *the efficiency of using a specialized application for teaching the course notions, the students knowledge that is necessary for the use of such applications or software and the students considerations about the benefits of practicing a specialty discipline, using such software, for their careers.*

The dependent variables are the efficiency of the use of the program, the reasoning of the operations and the understanding of the concepts. The independent variables are marked by the students' behavior and by the assimilation of the knowledge presented.

To achieve these objectives I decided to use, in a transversal research, an survey based on a questionnaire and the observation method. About the survey method, the research technique is the questionnaire, and the research instrument is the actual list of questions. Regarding the observation method, the technique used is participatory observation, which allows me to integrate into the observational

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<sup>23</sup> <http://elearningbrothers.com/overview-global-elearning-market-area/>, accessed in 02.05.2016

<sup>24</sup> Docebo Company: *E-Learning Market Trends & Forecast 2014 - 2016 Report*, March, 2014

environment and the instrument used to record the observation data is the observation grid.

Because the population studied is too large (totaling 180 students), I decided to apply these methods to research a sample of 30 students (in statistics is considered that a sample of 30 items has a normal distribution). The sample size was calculated on a total population of 180 students, applying a 95% confidence level and a sampling error of 16.5%.

### 3. Case study

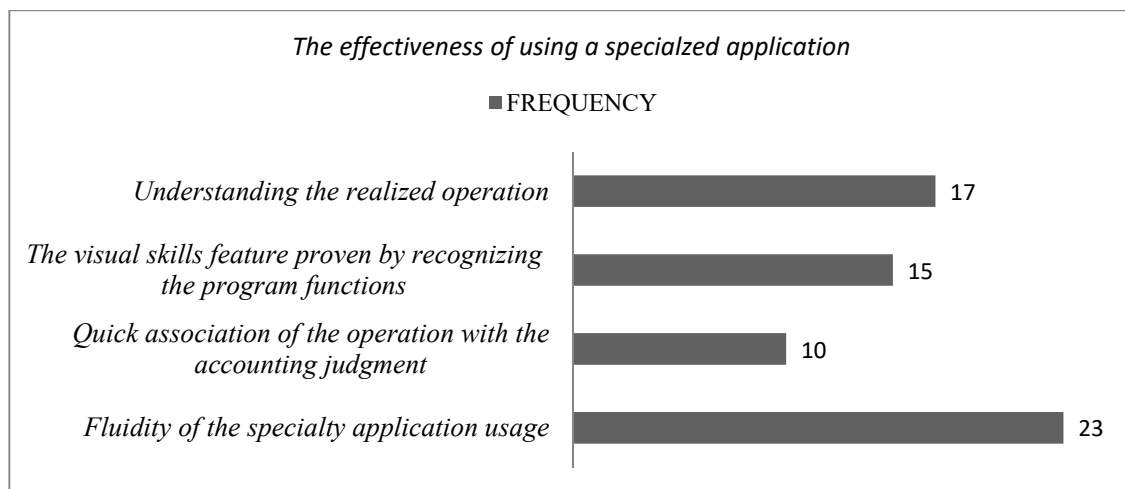
In the observation grid I aimed to investigate the effectiveness of using a specialized application for fluidizing the teaching-learning activity, practically, the benefit brought by the use of a specialized application to replace traditional teaching method that uses board and marker, with notebook as teaching tool.

The first issue investigated was the **fluidity of the specialized application usage**. As you can see in Chart 1, the fluidity of using specialized software was observed in a transparent and clear way to a total of 23 students, representing **77%** of the total sample selected (30 students). It is considered so that students fared, in large proportion, with the application used, by easily applying its basic functions.

I have searched also to observe the **quick association of the operation with the accounting judgment**, an essential factor in the use of an application that streamlines the accounting operations. After personal considerations I decided that a total of 10 students have managed, without help, and from personal reasoning to make such an association, others being helped by me or by other students in understanding the correlations performed. This number represents a ratio of **30%** of the total sample size and its small ratio may be due to insufficient training in accounting or to misunderstanding the reasoning of the program, or, most likely, to lack of experience in accounting. The accumulation of experience makes the rational correlation with the program operation to become more facile. So far this low score in this case is not a thing to cause concern, but rather demonstrates the importance of experience in this field.

In terms of **the visual skills feature proven by recognizing the program functions** (making reference to recognition of the categories functions in the Main Menu), I found it at a total of 15 students, representing **50%** of the total sample. I investigated this feature because these functions are correlated with all the actions that are performed in the accounting activity, the menu being structured in a very transparent way and related with the accounting operations structure. The average percentage resulted proves a poor recognition of the menu, between students, meaning that they are not familiar with such programs. In general, accounting programs have a similar menu. Probable, the non-recognition of the division of the menu appeared due to the first interaction with the program.

Probably a little less noticeable aspect is observing the level of **understanding the realized operation**, which I tried to clarify by short questions addressed to students, or by their mimicry, where was possible. I found this feature at a total of 17 students, representing **57%** of the total, proving a good learning ability of certain judgments.



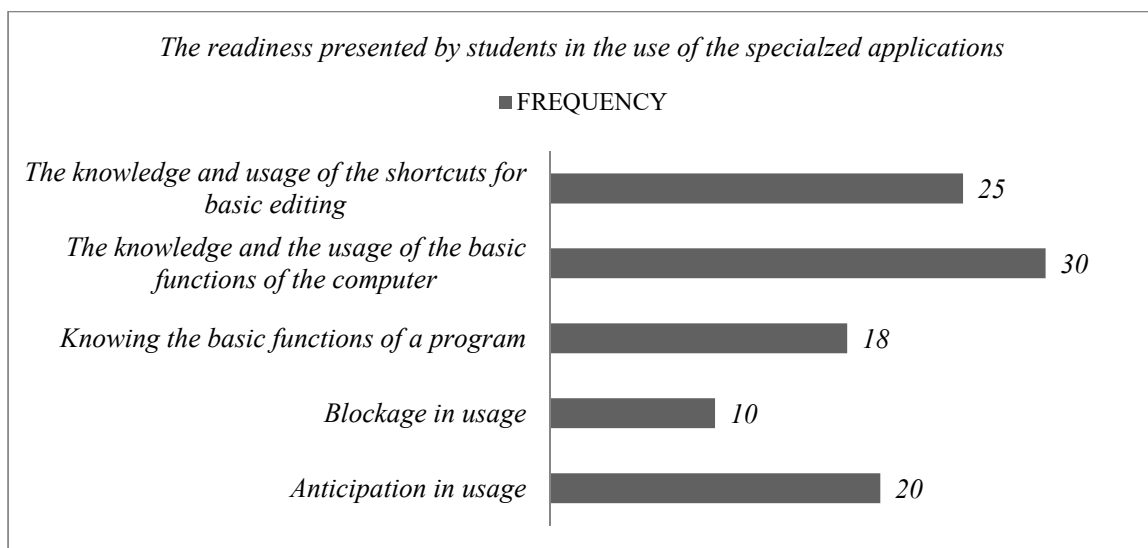
Graphic 1 – The effectiveness of using a specialized application

The second goal pursued through direct observation method is the readiness presented by students in the use of the specialized applications. Among the first issues followed was the **anticipation or blockage in actual use of the program**, when introducing the accounting operations. So, a total of 20 students (67% of them) had visibly anticipation in using the program, being characterized by a slight rush, specific to the children generation used with technology. In contrast, a number of 10 students submitted application usage blackages, requiring help from me to carry out the operation. These students, in proportion of 33%, were not so familiar with the program, so they had blockages in use, which led to a slowdown in activity. It is noticed that those who have encountered bottlenecks in performance are not connoisseurs of the specialized programs and are not so ready regarding the use of diversified software. However, the highest proportion reveals a good training of students in terms of primary use of a new computer program.

**Knowing the basic functions of a program** is another aspect that I watched at individuals that were investigated, being proven by recognizing the closing function of a program, undo, redo and data save function. From the sample of 30 students, a total of 18 had this skills, using the program easily, the rest needing help using the corresponding commands. Thus, a percentage of 60% of the sample showed skills in terms of knowledge of the basic functions of a program. Extrapolating, we can consider that the coefficient is small, due to non-use of the working programs by the students.

To complete the issue mentioned above, I analyzed **the knowledge and the usage of the basic functions of the computer**, determining so, that all students investigated, in 100%, presented these functions, ran between applications, looked for different applications in the start bar or navigate through folders and files. It was expected that the result will be the present one, because of the current lifestyle and permanent need to be connected to society, especially if we are talking about students of a higher education units. The discrepancy that is noticed between this issue and the one presented antecedently occurs because of the use of the technology for other purposes, less for the technical work, especially where individuals are at the study level and have not yet entered the labor market.

Also in this perspective we can place the **knowledge and usage of the shortcuts for basic editing**, with specific reference to the ones that are common to more applications: CTRL + C; CTRL + V; CTRL + X. Of course, a large proportion of students have presented this predominance (83%, representing 28 students), being familiar with their use to ease the work and streamline the activity, avoiding the down timing.



**Graphic 2 – The readiness presented by students in the use of the specialized applications**

Regarding the use of the survey by questionnaire, I aimed to investigate the efficiency of using an specialized application for teaching the course concepts and the students considerations about the benefits of practicing a specialized discipline using such software, for their careers. For this I proposed eight questions, some with simple answer, others with multiple variants, others with scale responses and others with open responses. I obtained, again, the anticipated responses, which I will present in the following. Scala has always been used from 1 to 5, 1 being the negative consideration, 5 being the positive one.

***Using IT programs increases the quality of teaching process? (Very little-1, Very much-5)***

After students considerations, the usage if the IT programs by teachers is greatly increasing the quality of teaching, the proportion of response for this factor (5) is **57%**, followed by those who consider that the growth would be great (4) or average (3). Although the relative frequency is prevalent in the area of a major impact of improving the quality of teaching when using IT programs, the other responses pull down the average, considering, that the final increase would be great, but without an impressive impact. Thus, we observe that, in the light of the student, it is a benefit the usage of the technology instruments in teaching, to streamline the learning process, especially in the economic field.

***How do you find using a specialized program? (Very difficult-1, Very easy-5)***

The predominantly answer between students, in **50%**, and also the average of the responses, was the belief that using a specialized program is something easy, being noticeable, however, that, as a first use, they were not so confident about their own skills. But it is quite possible that after a short number of uses, the familiarization with the program to bring them the consideration that it is easy to use. Also, it is important to consider the fact that specialized programs in this area are relatively simple and have fewer functions compared to other programs.

***Do you consider useful to use a specialized program within the university studies in teaching process? Arguments. (Not at all useful 1; Very useful-5)***

Regarding the use of a specialized program in teaching, **80%** of students found this very useful. It is understandable that this utility comes with elimination of downtiming, the existence of a global vision and a succession of the data in a history that can be accessed without restrictions. This question has an open answer argumentation that follows the selected option.

Most of the arguments are related to the work mode that is present in the labor market level, referring to a job, more precisely, the fact that accounting operations are performed in electronic way, to facilitate insertion and storage of the data.

It is also mentioned by students, that employers look for people who know how to use specialty programs, as an argument to justify the program's utility in teaching and learning. The students are anyway, forced at one point to adapt their skills by applying them in a program, not on paper, as they are were used.

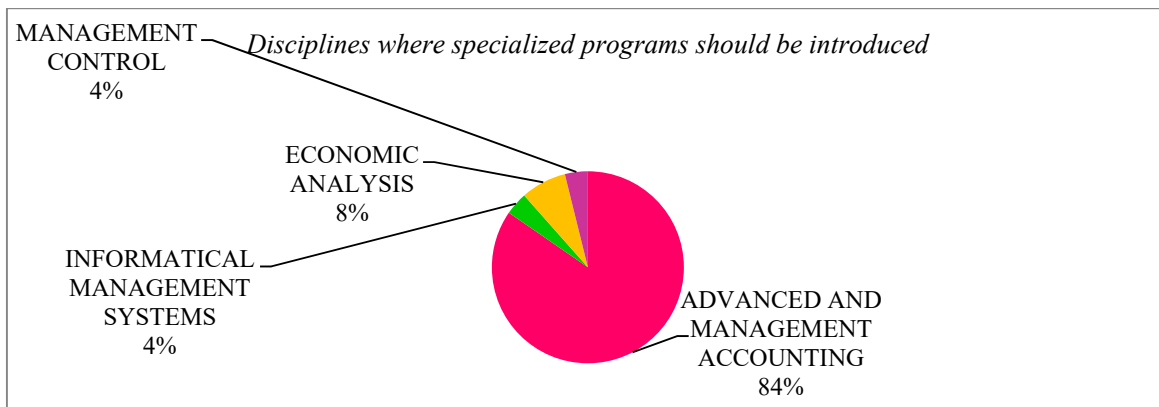
***How difficult do you find the stage of learning and familiarization with a specialized program? (Very difficult-1, Very easy-2)***

Inconsistent with my expectations, the students thought that the learning and familiarization stage is having an average difficulty; taking into consideration the fact that they have only one interaction with this type of program. Most responses, in a proportion of **57%**, outlined this considerations, the main reason being the growing appearance of new programs or the permanent updating of the existing ones, the updating or need for perpetual change of the operating systems, in the digital environment in which the students operates certain activities. This continuous change determines the increase of the susceptibility to adaptation to new conditions, which is having a very important implication on their performance as individuals.

***Do you think that the area where software are used (regarding the disciplines) should be extended? (YES / NO) Give examples of such disciplines.***

26 students found that the area where software are used should be extended, four of them do not. Extrapolating, we obtain a significant proportion of students who appreciate that a change must be made at this level, suggesting a problem. It is understood that the number of the computer labs is limited, in the faculty, but it is usually exploited both for disciplines which require the use of computers, as well as for disciplines that can give up this advantage, since it is not used in teaching.

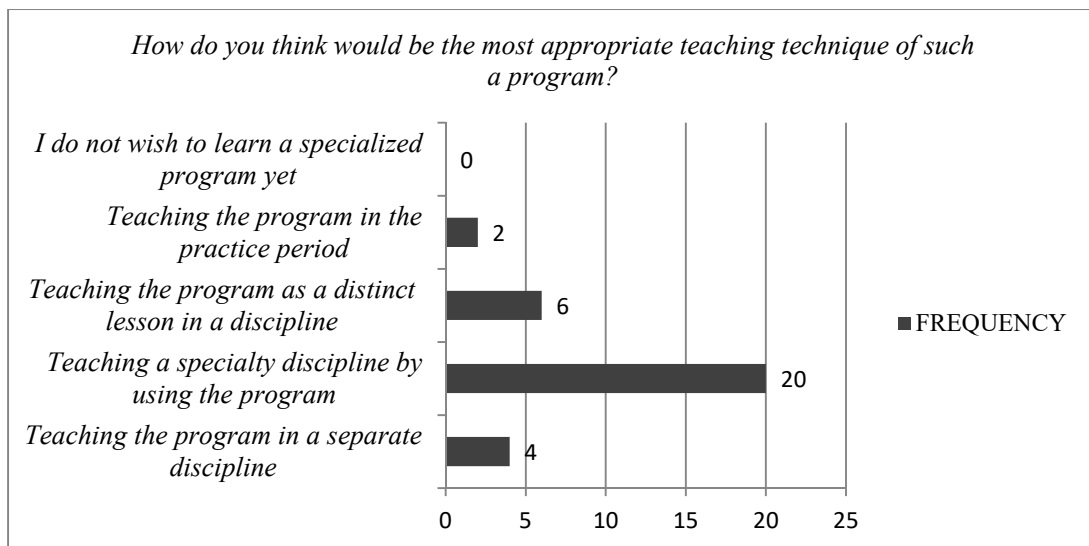
The main disciplines that were considered necessary to introduce specialized programs were the basic subjects in specialization, namely, advanced accounting or management accounting. As seen in the open responses questions earlier asked, the introduction of a specialized program in the teaching process of this disciplines would increase the level of preparedness of the students, would homogenize the knowledge with the application skills that are needed in the labor market and it would help to an easier assimilation of such knowledge, because of the advantages offered by digital technique (providing an overall view of all operations realized, elimination of downtime and increase the accuracy of calculation, execution of correlations between various operations, etc.). Other disciplines that were mentioned as an examples are: economic analysis and management control. Of course, this disciplines come in addition to those mentioned above, and, in practice, they help the verification of the correctness of operations carried out, through a series of equivalents and to observe the financial position of the entity in cause. In practice, these issues are calculated in different computer programs, sometimes manually, sometimes being automatically generated.



**Graphic 3 - Disciplines where specialized programs should be introduced**

***How do you think would be the most appropriate teaching technique of such a program?***

Predominantly (63%), students believe that the best fitting technique method of such a program is teaching a specialty discipline by using the program, more precisely, as shown in answers to open questions, applying the theoretical notions assimilated by using specialized programs. Other options, selected in proportions of 19% and 13%, were: teaching the program as a distinct lesson in a discipline or teaching the program in a separate discipline. Because there is an alternative response specifying that there is no need for teaching a specialized program in the disciplines of higher education, and it received no appreciation, I believe that the principle trend of the students beliefs is that the usage of such software in teaching should be by using the method of integrating the practical applications in this software.



**Graphic 43 - How do you think would be the most appropriate teaching technique of such a program?**

**4. Conclusions**

Consistent with personal anticipations, the research results were positive about the efficiency of using the computers in teaching process. I believe, therefore, that is beneficial to use methods of blended learning or e-learning in certain disciplines.

From the use of the research methods applied, I found a great inclination of the students towards the increased usage of the computer and its specific applications in the disciplines that are also known as important parts of certain professions . The most common arguments to support the idea outlined here, were the students desires to familiarize and learn to work with specialized programs that are used in professional practice, in order to ease the process of initiation in the job market. Also, it is considered that the notions are easier assimilated because of the advantages offered by the digital environment and the chance of employment after graduation increases.

Changes that should be made at the teaching process of some specialized disciplines in higher education are, behind this research, increasing the use of the computer in teaching, especially in the



disciplines that identify with a certain profession, where this tool is used in the working process. The best way to achieve this change is, in the opinion of students, teaching a discipline by using an associated program.

Despite the trend to always use the traditional teaching methods, the effectiveness of the introduction of e-learning and blended learning is proven by numerous studies and research, including this one, which proposes major changes to the technical disciplines.

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## FLUCTUATIONS IN THE NUMBER OF TOURISTS AND THE IMPACT OF THE LOW SEASON OVER A COUNTRY'S COMPETITIVENESS

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### Abstract

Tourism is one of the fastest growing industries in the world. It is an increasingly important source of income, employment and wealth in many countries and its rapid expansion has been considered as an interesting possibility for sustainable development (including poverty reduction) in developing countries. But, despite its impacts on the local economy, its potential is underutilized because it remains insufficiently understood, especially by local policy makers.

Thus, the aim of this paper is to examine the present tourism situation, the fluctuations in the number of tourists and the impact of the low season over a country's competitiveness. It also suggests potential for the low season.

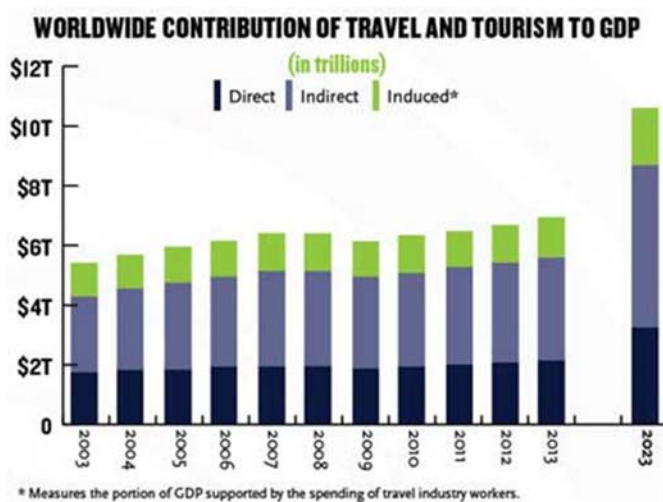
**Keywords:** tourism, purchasing power of consumers, seasonality, economic wealth

### 1. Introduction

One of the main aims of tourism planning and development is to create more valuable tourism products and services for potential or current tourists so that destinations and their communities receive social and economic benefits.

In this context, the figure below highlights the worldwide contribution of travel and tourism to GDP over a 10 year period.

**Figure 1: Worldwide contribution of travel and tourism to GDP (\$)**



(Source: <http://www.travelweekly.com/Travel-News/Government/Widening-wanderlust>)

The main objective of this paper is to review the strategies of the Slovak Republic tourism industry in order to emphasize their importance for the countries' competitiveness.

This paper:

- explains the connections between tourism and competitiveness
- analyses seasonality and the demand for tourism services;
- provides an overview of the tourism industry in Slovakia, in terms of number of arrivals, crisis impact and strategies

- identifies the most important tourist spots in Slovakia and analyses the main positive and negative impacts on tourism;
- presents the results of a survey.

## 2. Tourism and competitiveness

According to Newall (1992, p. 94), **competitiveness** means “*producing more and better quality goods and services that are marketed successfully to consumers*”. At the same time, it is defined also as the ability of a country or company to, proportionally, generate more wealth than its competitors in the world markets.

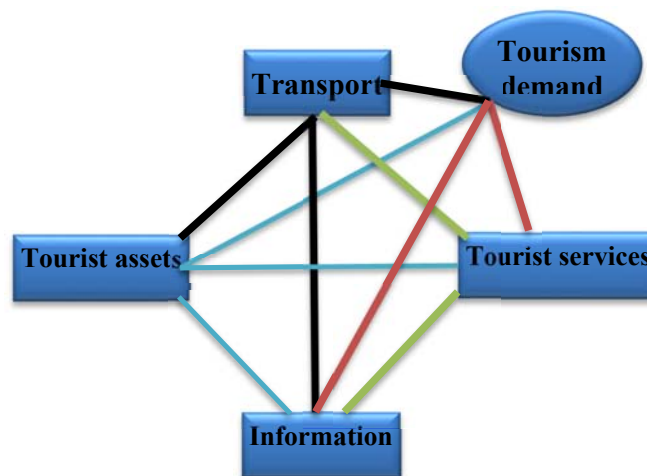
Worldwide, tourism absorbs more than 5% of total household consumption expenditure. Also, it generates more than 250 jobs, equivalent to 8% of the total labour force. –

Activities connected to **journeys** and tourism represent more than 12% of the global GDP,-making the tourism industry the world biggest producer of GDP.

In this case, if the statistics will grow, tourism will be the first industry which will increase the jobs number.

Figure 2 presents the fact that the tourist has the opportunity to satisfy a specific need thanks to a structured tourism supply that fulfils his/her demands.

**Figure 2: Tourism product**



(Source: Personal research)

**Seasonality** of demand and touristic consumption is the dominant feature of the tourist activity, having an important impact on the service providers in this field.

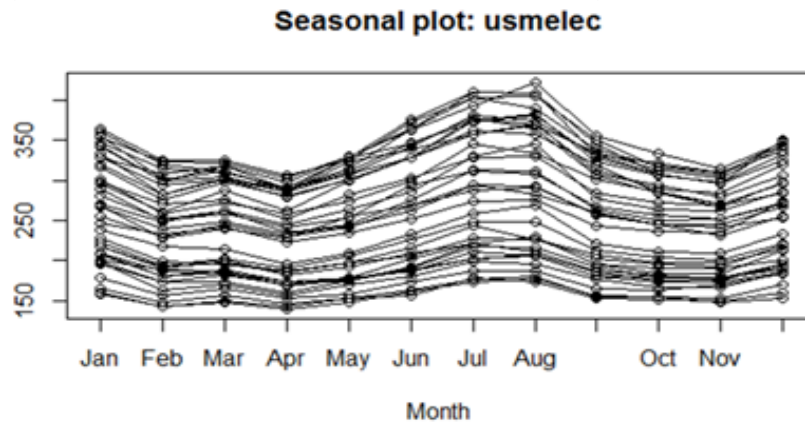
Therefore, there are three types of seasonality:

- high season (winter or summer): characterized by a maximum intensity of tourism activities;
- intermediary season;
- low season: a period with low activity and few tourists.

In periods of low season there is an under-utilization of capacity supply of tourist services, with negative economic consequences (reduced revenue, decreased productivity of capital and labour, low profits or even losses, extension of investment payback).

The adjustment of supply is adjusted by the number of staff depending on the level of activity in season that's why the staff has to leave temporary, including qualified staff. Instead, during the full season is full of unskilled employers, which leads to the realization of a low quality of services provided to tourists.

**Figure 3: Decline in the number of tourists after August and before June.**

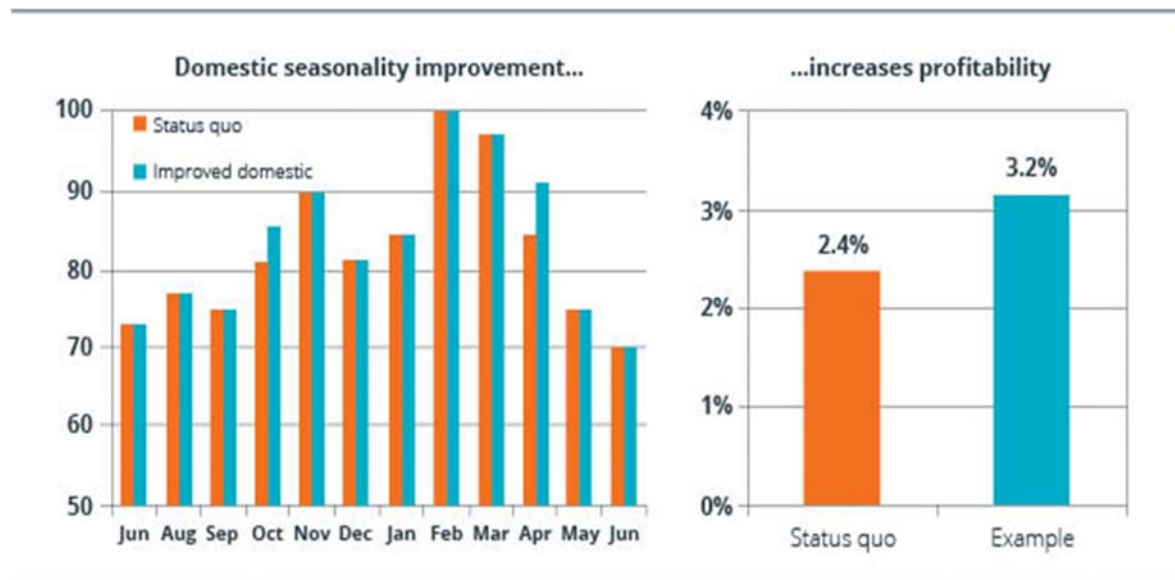


(Source: <https://en.wikipedia.org/wiki/Seasonality>)

### 3. Demand for tourism services

Tourism brings huge benefits to the area because visitors spend a lot of money on accommodation, food, drink and leisure activities. It's very important to know that they are indirectly supporting other business such as wholesalers and the building trade. Tourism is a multi-sector economy focused not only on tourism components, such as tour operators, travel agencies and lodging, but also involving agriculture, banks, insurance companies, transportation, food, culture and other technical services and material products (machinery, equipment, instruments) required to support travel activities and tourism attractions.

**Figure 4: Domestic seasonality improvement (%)**

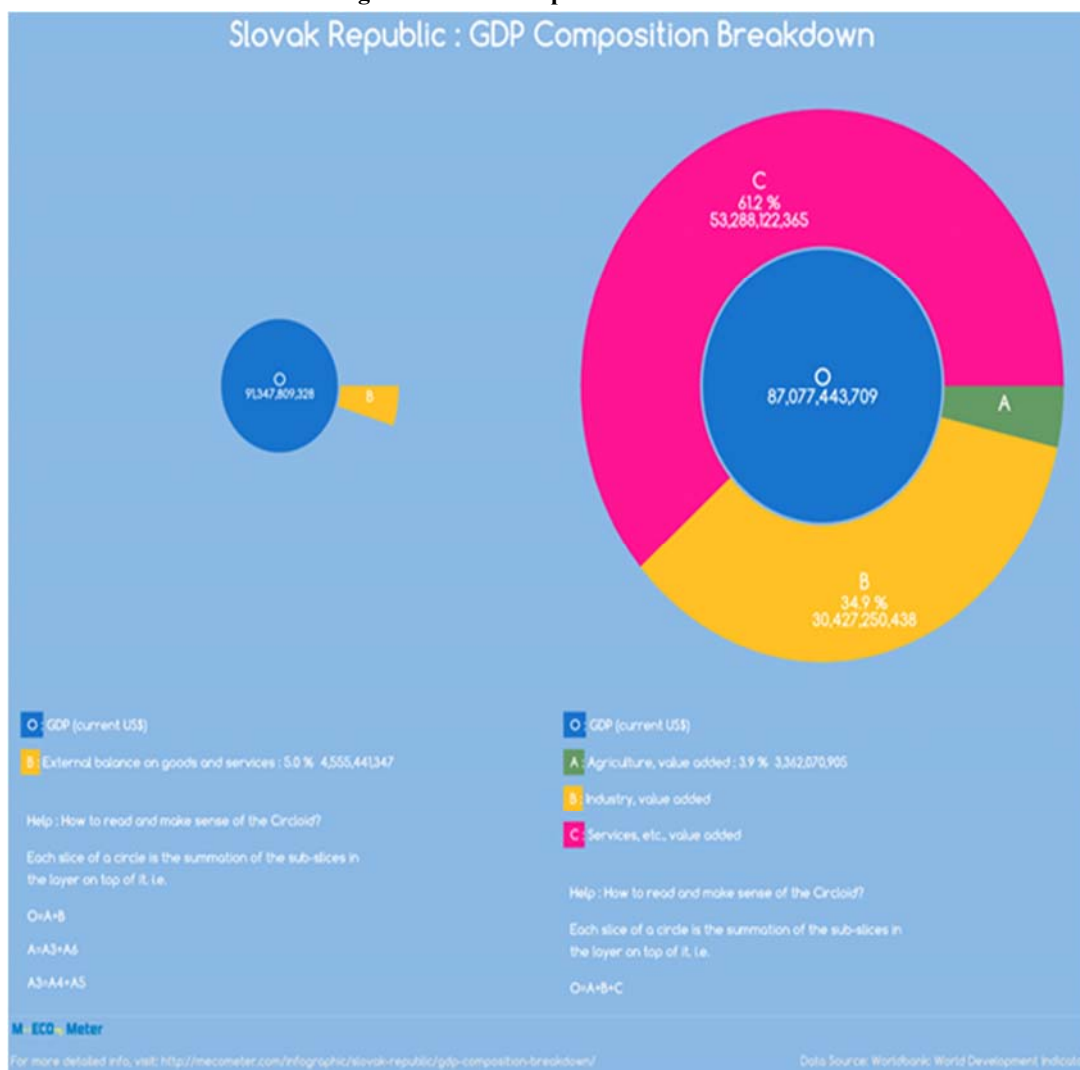


(Source: <http://tourism2025.org.nz/2025-in-depth/tourism-2025-strategic-themes/increase-productivity>)

#### 4. Overview of the Slovakian tourism industry

In the two decades since independence, Slovakia's tourism industry has grown remarkably. Slovakia's historic towns and numerous mountain ski resorts are the more popular tourist destinations.

**Figure 5: GDP Composition Breakdown**



(Source: <http://mecometer.com/infographic/slovak-republic/gdp-composition-breakdown/>)

Based on the statistical data, the number of total arrivals in the Slovak Republic in 2003 was around 5.66 million. This amount is certainly low compared to 2007 (+1.61 millions).

The number of total arrivals started to grow in 2004, in the time when the new Aqua Park Tatralandia was opened in Liptovský Mikuláš, until 2007 when the economy of the country was affected by the crisis. In addition to the international arrivals, the country recorded more than 60 million between 2003-2012.

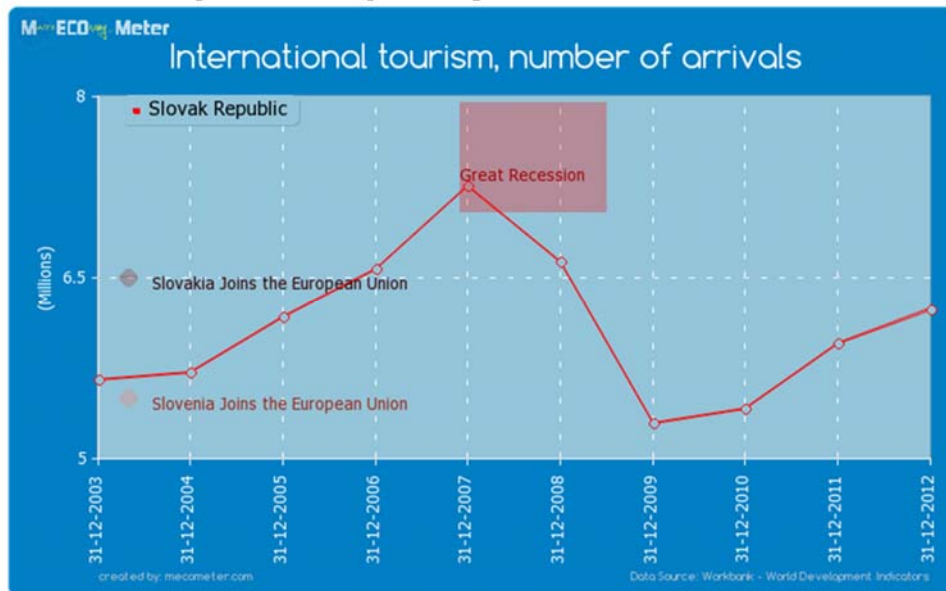
**Table 1: International tourism, number of arrivals (millions of) - Slovak Republic**

<b>2003</b>	5.66
<b>2004</b>	5.72
<b>2005</b>	6.18
<b>2006</b>	6.58
<b>2007</b>	7.27

<i>Year</i>	<i>International tourism, number of arrivals (millions of) – Slovak Republic</i>
<b>2008</b>	6.64
<b>2009</b>	5.30
<b>2010</b>	5.42
<b>2011</b>	5.96
<b>2012</b>	6.24

(Source: <http://mecometer.com/whats/slovak-republic/international-tourism-number-of-arrivals/>)

**Figure 6: The negative impact of the crises in 2007**



(Source: <http://mecometer.com/whats/slovak-republic/international-tourism-number-of-arrivals/>)

## 5. The most important tourist spots in Slovakia

### Liptovský Mikuláš

The town is one of the most famous tourist centres in Slovakia. It is a perfect starting point for tourists because of its rich culture. Many cultural meetings and celebrations are held in Mikuláš all year long, for example the traditional market, the pantomime showcase PAN or “Cheese Days”.

There are plenty of sports opportunities in Liptovský Mikuláš for both locals and visitors: fitness and squash centres, tennis courts, an ice skating stadium, gymnasiums, an indoor pool, and outdoor thermal swimming pool. The thermal pools are filled with thermal mineral water (60.7 °C) from springs more than 2500 meters underground.

Many ski resorts were built in the surrounding mountains; one of the biggest and the most famous is Demänovská dolina – Jasná. Most of the ski resorts are maintained with artificial snow, and many of them include night skiing and complete services for skiers: ski service, ski equipment rental, ski schools, mountain patrol, catering and accommodation ([www.slovak-republic.org/ski/](http://www.slovak-republic.org/ski/))

### Ski resorts

Slovakia has something for the skier at every level. The best skiing in Slovakia is at the highest altitudes.



PARK SNOW Donovaly



Stary Smokovec



Skipark Jasna



Malino Brdo Ski & Bike Park

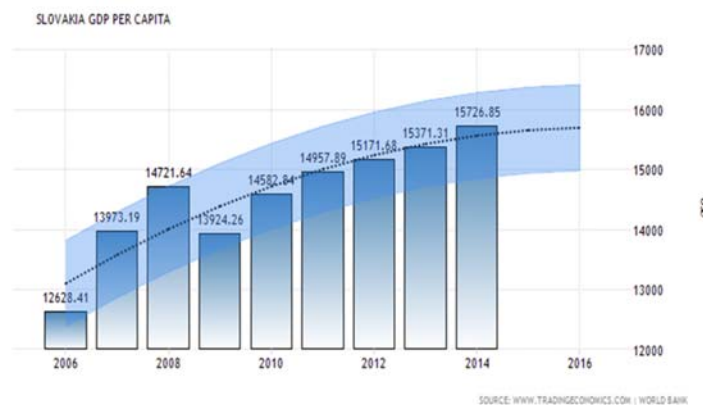


### Tatralandia

Liptovský Mikuláš has developed various tourism products with particular characteristics, in order to attract customers. That’s why since 2004 a new aqua park called Aqua Park Tatralandia has been opened. The area is also well-known due to its location close to the biggest ski resort in Slovakia, Jasná. In 2004 Tatralandia added Celtic saunas, 3 new pools, and another 9 toboggans and slides. As a result of the new park, the original number of visitors increased from 2,500 to 4,000, with more than 1,000 visitors.

In 2006 Bubble City and Adventure Castle were added (a complex of castles and other inflatables). In 2007 a new indoor tropical complex, called Pirates of the Caribbean, was added, along with a Palm Beach relaxation area. After making numerous improvements in 2008, a Tornado raft slide was added in 2009, as well as a 5D Cinema ([https://en.wikipedia.org/wiki/Aquapark\\_Tatralandia](https://en.wikipedia.org/wiki/Aquapark_Tatralandia)).

Figure 7: Tatralandia effect in GDP – increase since 2006



(Source: www.tradingeconomics.com)

## 6. Survey for the tourism industry

In order to identify how important tourism is for customers, measure seasonality's impact on customers' demand and identify how many of them heard about Slovakia and Tatralandia I conducted a short research. The used survey had 14 open- and multiple choice questions, divided into 4 sections:

- tourism importance;
- tourism periods;
- effects of seasonality;
- Slovakia's tourism services.

The respondents were students between 20-30 years old, and teachers between 30-60 years old from all over Europe.

The survey was an international one and 47 responses were collected from all over the Europe.

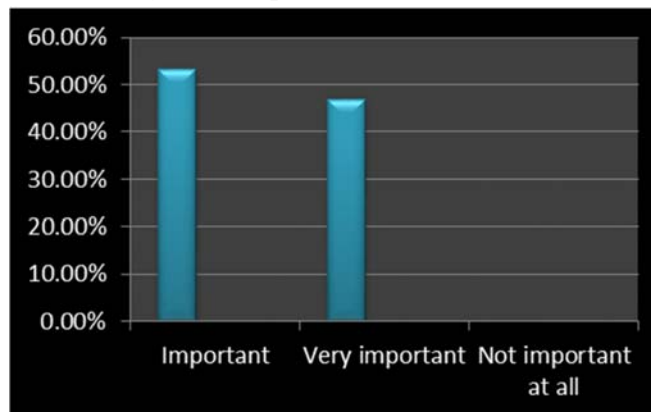
The objectives of the survey were the following:

- Identify how important the tourism is for a customer;
- Measure the impact of the seasonality on customer's demand;

Identify how many of them heard about Slovakia and Tatralandia

### 1. How important is tourism/ travelling for you?

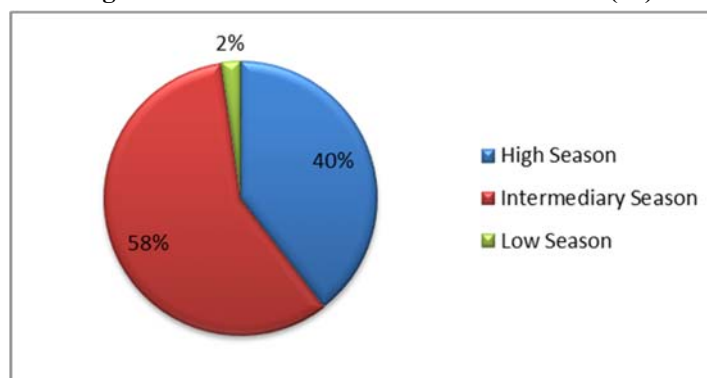
**Figure 8: Importance of tourism (%)**



The majority of respondents consider travelling as very important for them, while all of them consider tourism a very good industry.

### 2. When do you usually go on holidays?

**Figure 9: Favourite seasons of the customers (%)**

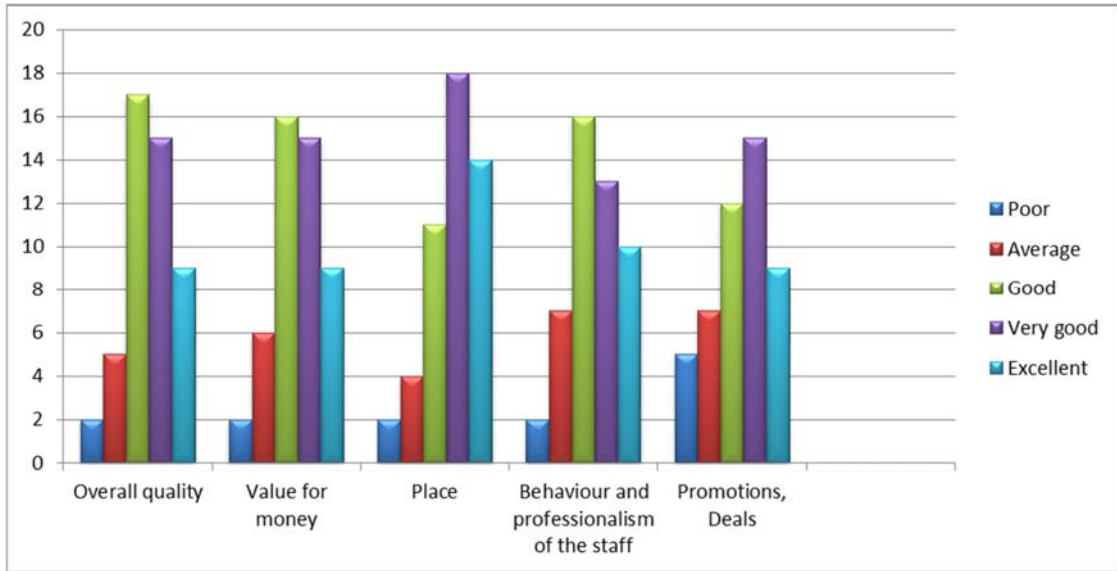


For 2% of the respondents the low season is the best one. We can clearly see an interest in the other periods: high and intermediary season. That's the reason why a country should increase the quality of the tourism services and develop continuous tourism products in order to attract more customers in low season. In other way a country is losing a lot of money in that period, because the number of tourist is very low.



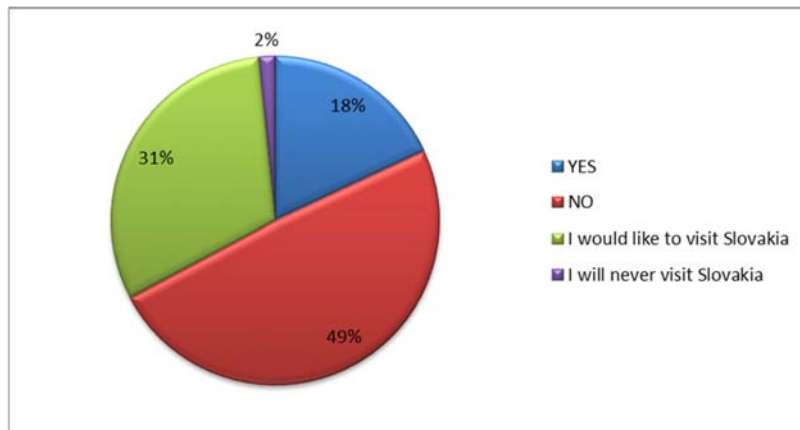
3. How do you appreciate/ evaluate the importance of the next characteristics/ features?

**Figure 10: Most important characteristics of services (%)**



4. Have you ever visited Slovakia?

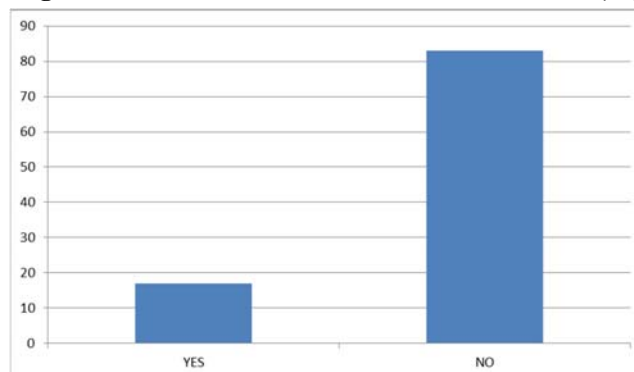
**Figure 11: Visitors and potential visitors (%)**



Most respondents (63.8%) had never been in Slovakia. However, 40.4% said they would like to visit Slovakia, while 2.1% will never visit this country. 23.4% have already been there.

5. Did you ever hear about Aqua Park Tatralandia in Slovakia?

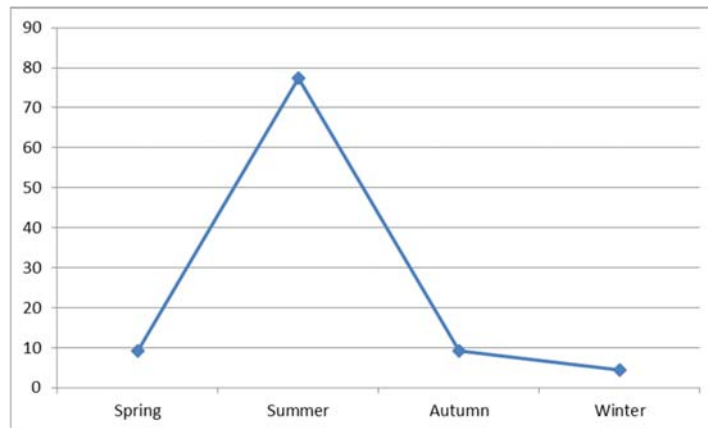
**Figure 12: Persons who heard about Tatralandia (%)**



Slovakia's tourism industry is considered to be a profitable source of money, that's why they develop new tourism services. In connection with Aqua Park Tatralandia, which was opened in 2004, only 17% have heard about Tatralandia.

6. What is your favourite time of the year to travel?

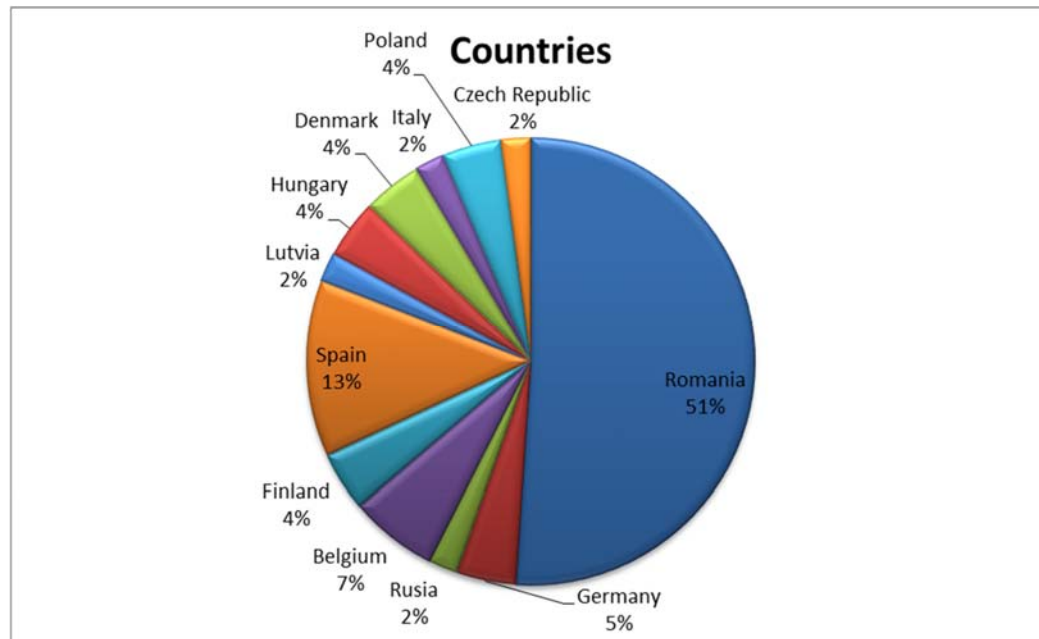
**Figure 13: Favourite time of the year to travel (%)**



We can clearly see an interest for the high season, while the interest for the low season is increasing remarkably. 78.7% of the respondents would spend their holiday in summer, while 4.3% would do it in winter.

7. Where are you from?

**Figure 14: Country of the respondents (%)**



The majority of survey respondents (51%) are from Romania. It is very important to have a correct statistic that's why the other respondents are from all over the Europe.

## 8. Conclusion

Finally, tourism is a broad service sector requiring a wide range of simple and complex goods and services. It generates revenue in the form of foreign exchange earnings, increased income, employment and development of infrastructure.

Tourism is vital to the economy of the area, providing employment and supporting services in local communities. Tourism is one of the major engines of economic growth in most parts of the world including Slovakia.

This study offers an overview on how tourism could effectively contribute to increase competitiveness and economy of a country.

The factors should be identified and developed so that those that have influence on the competitiveness and the prosperity of tourism destinations can be determined.

Ultimately, growth in tourism is also argued to facilitate foreign capital inflows which reduce the need for domestic savings and capital accumulation.

In other words, it is important to underline that it is necessary to find solutions for the seasonality problem because it could represent relevant benefits among the country's competitiveness.

Competitiveness has been viewed as *"producing more and better quality goods and services that are marketed successfully to consumers"* (Newall, 1992, p. 94).

In a tourism context, competitiveness has been considered as a *"destination's ability to create and integrate value-added products that sustain its resources while maintaining market position relative to competitors"* (Hassan, 2000).

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# STUDY REGARDING THE APPRECIATION OF FINANCIAL PERFORMANCE AT ECONOMIC ENTITY - CASE STUDY: ALBALACT SA

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## Abstract

The paper treats theoretical and practical aspects regarding the evolution of financial performance at Albalact SA entity, through some certain indicators, period 2008-2014.

**Keywords:** financial performance, indicators, interim management balances, rates of return, financial position

## 1. Introduction

Currently, performance is addressed in holistic, integrating financial performance, social and environmental.

Firm performance is measured by the profitability or the ability to produce profit, which will ensure increased value of the company and increasing wealth participants in company life<sup>25</sup>.

Profitability is the company's potential to create added value to the product obtained through resources worth more than the value of resources consumed. In this context, the return is estimated from the difference between income and consumption related resources on different levels of aggregation<sup>26</sup>, each representing a specific performance indicator.

## 2. Literature

According to some authors, Bogdan Constantin Andronic [2000, page 25], the performance can be defined as "a state of competitiveness of the company, reached by a level of efficiency and productivity which ensures a sustainable market presence". An entity can be efficient and effective and productive when it performs these results.

Vasile Robu [2005, page 236] associate the concept of financial performance, profitability, "the company's performance based on profitability takes into account the results obtained using factors of production, namely those recognized and presented in the income statement".

Nicolae Balteş [2015, page 5], came to the view that "profitability is the prerequisite for success in the business of an economic entity, being made in the measurement of the outcome positive financial difference between effects and efforts involved".

## 3. Empirical study on performance appraisal company ALBALACT SA, 2008 – 2014

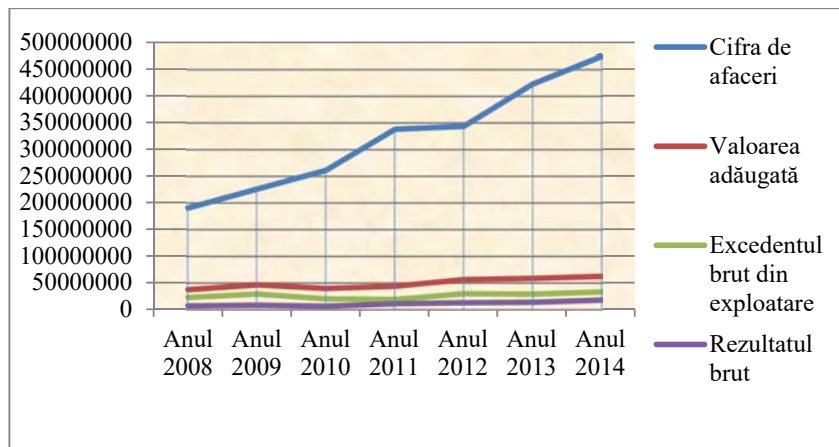
ALBALACT SA was founded in 1971, was transformed into a joint stock company in 1990. Since 1999, the company was privatized, becoming a privately owned company. It was listed on the Bucharest Stock Exchange in 1996. In 2014, the company reported a turnover of 107 million euros and therefore holds first place among dairy producers in Romania.

The evolution of indicators characterizing the activity and financial results of the company during the period 2008 – 2014 is shown in chart 1.

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<sup>25</sup> Silvia Petrescu, *Performanță și risc în analiza financiară*, Analele Științifice ale Universității "Alexandru Ioan Cuza" din Iași, Nr. 50-51 (2005), <http://anale.feaa.uaic.ro/anale/resurse/16%20Petrescu%20S-Performanta%20si%20risc%20in%20analiza%20financiara.pdf>,

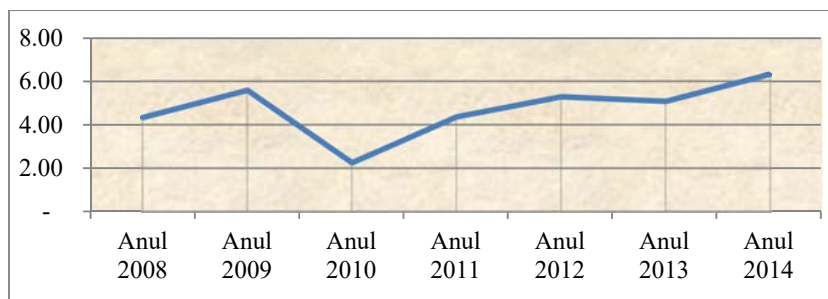
<sup>26</sup> Petcu Monica, *Analiza economico - financiară a întreprinderii. Probleme, abordări, metode, aplicații*, Ediția a doua, Editura Economică, 2009, pag 312



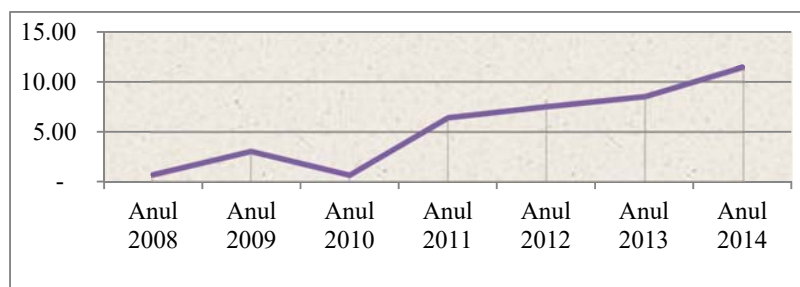
**Chart 1 – Evolution of turnover and profit of the financial year 2008 – 2014**

It can be seen that during the period under review turnover value increased considerably from year to year, which led to the creation of added value for shareholders.

Company profitability, expressed as indicators rate of return on assets (ROA) and return on equity ratio (ROE) since 2010 is growing steadily, demonstrating the company’s management performance (Charts 2 and 3).

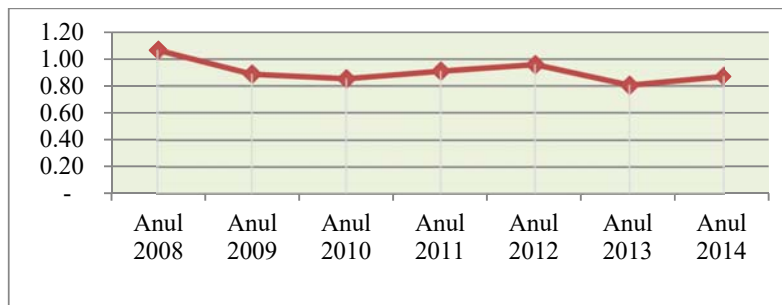


**Chart 2 – Evolution of economic rate of return, 2008 – 2014**

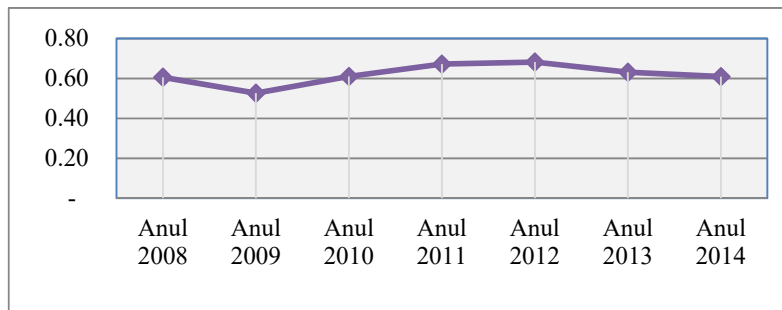


**Chart 3 – Evolution rate of financial return, 2008 – 2014**

Liquidity, liquidity and rate expressed as the acid test, highlights the company’s ability to quickly convert current assets into cash or cash equivalents. It can be said that over the entire period studied, the company had some difficulties in the provision of cash on hand, the levels of two indicators being below the recommended (Chart 4 and 5).

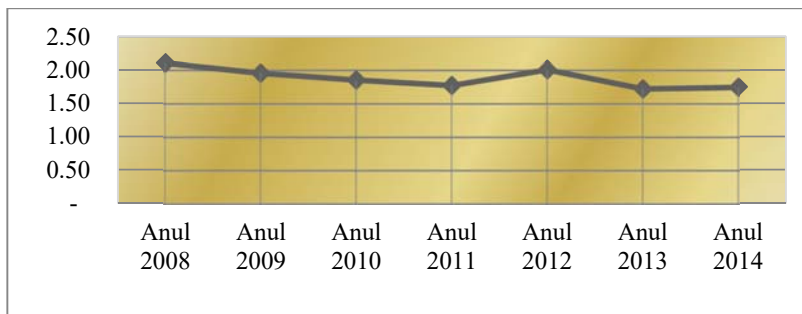


**Chart 4 – The evolution of liquidity, 2008 – 2014**



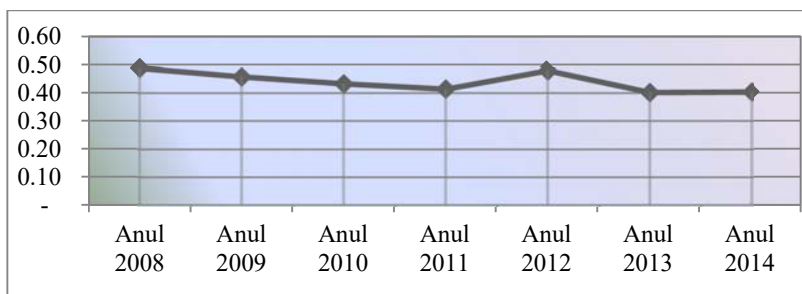
**Chart 5 – Evolution of immediate liquidity rate, 2008 – 2014**

Overall solvency recorded normal levels throughout the period under research, the value of assets exceeds that of liabilities (Chart 6).



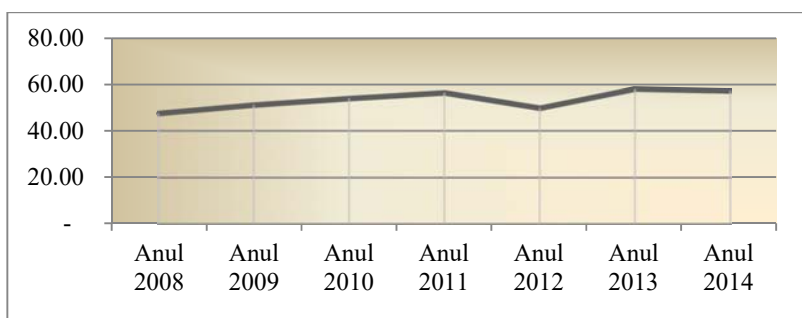
**Chart 6 – Evolution of overall solvency ratio, 2008 – 2014**

The capitalization of the company, as measured by patrimonial solvency, though declining in recent years, remains the recommended limits (Chart 7).

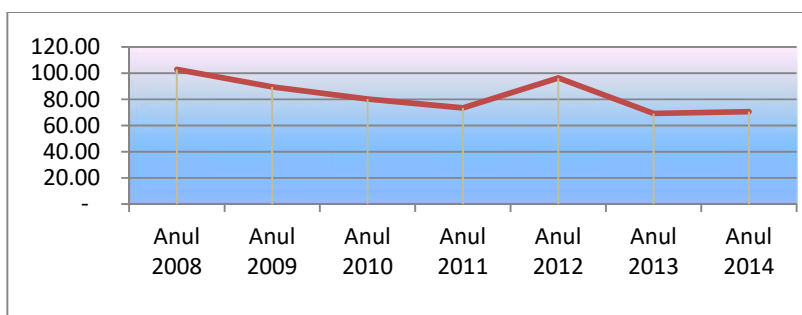


**Chart 7 – Evolution of economic solvency ratio, 2008 – 2014**

Debt accumulation, especially in the last years of the study period, led to the increase in the indebtedness of the company (Chart 8) and thus reducing its financial autonomy (Chart 9).



**Chart 8 – Evolution of overall borrowing rate, 2008 – 2014**



**Chart 9 – The evolution of financial autonomy, 2008 – 2014**

#### 4. Conclusions

The study conducted leads us to the conclusion that society Albalact SA throughout the period 2008 – 2014, was efficient in financial terms. Following a spectacular increase in turnover during the period, recorded profit and value for shareholders. However, liquidity indicators recorded under normal sizes, which led, especially in the last years of the period under investigation, the increase in indebtedness, with adverse consequences on the financial autonomy of society.

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