CASE STUDIES 1728

CASE STUDY

INCITING PHYSICAL ACTIVITY AMONGST YOUTH USING MODERN TECHNOLOGIES

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Abstract*: Technology is a double-edged sword: it contributes to sedentary leisure-time activities (e.g., playing sedentary computer games), but can also be used to incite physical activity and influence exercise behaviour. For years, people have been relying on pedometers, accelerometers, and heart rate monitors as their source of motivation. Global positioning system (GPS), geographic information systems (GIS), interactive video games, and persuasive technology could also be added to the list of recent technologies and approaches which were used for that matter. Additionally, some experts firmly believe that clinicians should rely on Internet-based physical activity interventions with aim to incite and positively affect exercise behaviour. Modern technologies could influence behaviour of the population, especially youth. This paper introduces the urge for mobilizing youth through sports and technologies. In attempt to achieve that key objective, people should be involved in everyday physical activities, but not necessarily brought to sports fields - instead sports should be brought closer to people. The vision is to challenge people's everyday activities with the sportive ones. Binding on a local level, global orientation shall be developed towards decreasing a negative trend of youngsters' illness, increasing an atmosphere of sport for all. This paper is a result of the cooperation between Faculty of Organizational Sciences and the National Olympic Committee of Serbia on conducting a 2013 case study dedicated to the incite of physical activity amongst youth by using modern technologies.*

Keywords*: Modern technologies, youth, exercise, physical activity, sport, health promotion, mobile application*

1. INTRODUCTION

Nations around the world are growing into an inactive unhealthy population. Inactivity and passivity represent the main reasons for the obesity issues among the population of age 15-30.[1] The lack of time and small economic incomes often represents crucial excuses why people rather choose to stay at home and live sedentary lifestyle instead of practicing sports. It is important to learn how to perceive sport as a positive habit starting early in childhood days, otherwise this unhealthy behaviour would become a habit not easy to be treated. Encouraging citizens to practice and to be physically active as much as possible through a number of possibilities and activities is perceived as a common task. It is scientifically confirmed that daily physical activity secures a number of healthy and social benefits, while the populations' well-being is increasing. Making different sport disciplines part of a daily lifestyle in children's life, reflects a positive memory, habit and affection towards the active youth.[2] Taking for example the Olympic values as values which could easily be implemented in every aspect of human lives; we have to rethink what the possibilities are and how to strategically start resolving this very common global problem starting from the local level. Global aim in tackling physical inactivity is devoted to finding an efficient tool, best practice or experience. Young people today live in a world characterized by dramatic cultural, economic, social and educational differences; individual circumstances depend largely on where a person is born and raised. More than 800 million adults (where two-thirds of them are women) still lack basic literacy skills; at the other end of the spectrum, the use of information and communication technologies (ICT) is skyrocketing. On one hand, we are living in such era of modern technology where ICT plays an active role in everyday life. On the other hand, we have sport as a very efficient tool in promoting any idea and mission, and in addition, modern technologies as probably the most common instrument in today's families.

[1] According to the National and European Youth Low, people from 15 – 30 are considered to be youth.
[2] Epicgenius user (2014) "Sport industry", Wikipedia, Retrieved from http://en.wikipedia.org/wiki/Sport_industry (visited: Apr. 2014 at 14:35).

2. PROBLEM IDENTIFICATION

Defined by numerous studies, Bauchard and Shephard suggested that physical activity refers to “any form of movement of skeletal muscles resulting in a substantial increase over the resting energy expenditure. Under the broad rubric we consider active physical leisure, exercise, sport, occupational work and chores, together with other factors modifying the total daily energy expenditure.”[3]

Formal organization of traditional sports is being pushed by nowadays trends, modern technologies and virtual reality. Physical education is a key component of high quality education and integral part of lifelong learning.[4] Not being physically active lowers the quality of education supported with negative health effects.

Current physical education curriculum does not provide experience necessary for personal and social development, which resulted in free time usually occupied by modern technologies and unhealthy lifestyle. In other words, physical education does not always succeed to promote healthy lifestyle and to motivate children and youth to practice sports in their free time. Following global and European trend, over 72% of youth in Serbia described physical education classes like monotonous and boring. Considering previously mentioned use of modern technologies, interesting results showed that students believe modern technologies could contribute towards improvement of physical education classes and extracurricular activities in their free time.[5]
According to the results of the latest Eurobarometer[6] survey on sport and physical activity, 59% of European Union citizens never or seldom exercise or play sport, while 41% do so at least once a week. Northern Europe is more physically active than the South and East. 70% of respondents in Sweden said they exercise or play sport at least once a week, just ahead of Denmark (68%) and Finland (66%), followed by the Netherlands (58%) and Luxembourg (54%). At the other end of the scale, 78% never do so in Bulgaria, followed by Malta (75%), Portugal (64%), Romania (60%) and Italy (60%).

The survey shows that local authorities in particular could do more to encourage citizens to be physically active. While 74% of respondents believe that local sport clubs and other providers provide sufficient opportunities for this, 39% think their local authorities are not doing enough.

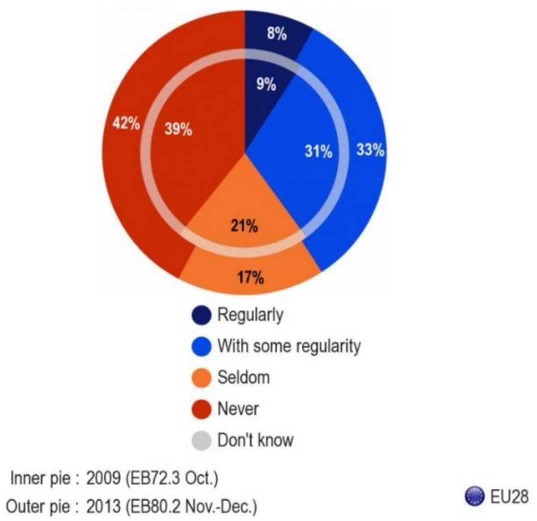

Figure 1: How often do people exercise or play sport?

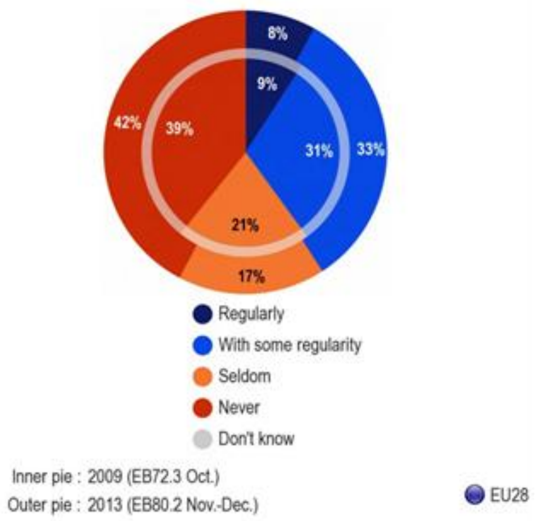

Figure 2: How often do people engage in other physical activity such as cycling from one place to another, dancing, gardening, etc.?

[3] Seefeldt, V., Malina, R.M., Clark, M.A. (2002) „Factors affecting levels of physical activity in adults“, Sports Medicine, Volume 32, Issue 3 (p. 143-168), Michigan, USA.
[4] European Commission (2005), “Young people's physical activities and sedentary lifestyles" (p. 10-93), European Commission's Directorate-General Communication, Brussels, Belgium.
[5] Ministry of Sport and Education, Research Sport center of Serbia and National Olympic Committee of Serbia (2008), “Report: Study of current situation of school sport in educational institutions in Serbia” (p. 3-19), Institute for Education Quality and Evaluation, Belgrade, Serbia.
[6] Eurobarometer survey was carried out for the European Commission by the TNS Opinion & Social network in the 28 Member States between 23 November and 2 December 2013. Nearly 28 000 respondents from different social and population groups took part in the poll. The survey follows comparable surveys conducted in 2002 and 2009, and will contribute to providing data to support the development of policies to promote sport and physical activity.

On the other hand, the results of this survey are compatible with number of studies which shown that recent technological progress completely changed habits of youth.[7] Considering following information (Figure 1), another big problem regarding physical activity of children and youth is obesity.

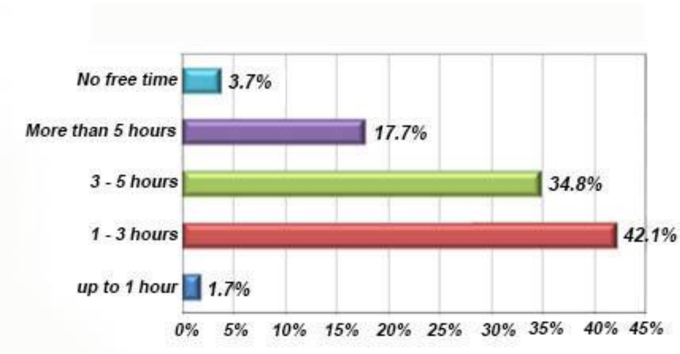

Figure 3: Free time of high school students in Serbia.

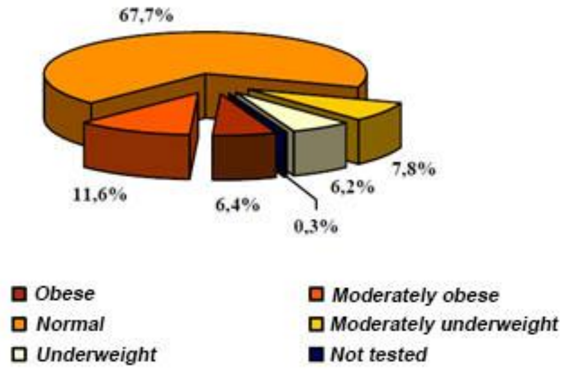

Figure 4: Percentage of children and youth (7-19 years old) by weight categories.

According to the study of health of Serbian citizens in 2006, two thirds of children and youth aged 7-19 were ideal weight (67.7%). Almost one fifth of youth (18%) were medium obese, which is an increase comparing to 2000. (Figure 3). Also, the number of underweight children (6.2%) decreased comparing to year 2000. (8.4%). Increased number of moderately obese and overweight children, caused by bad diet habits and lack of physical education presents significant health issue.

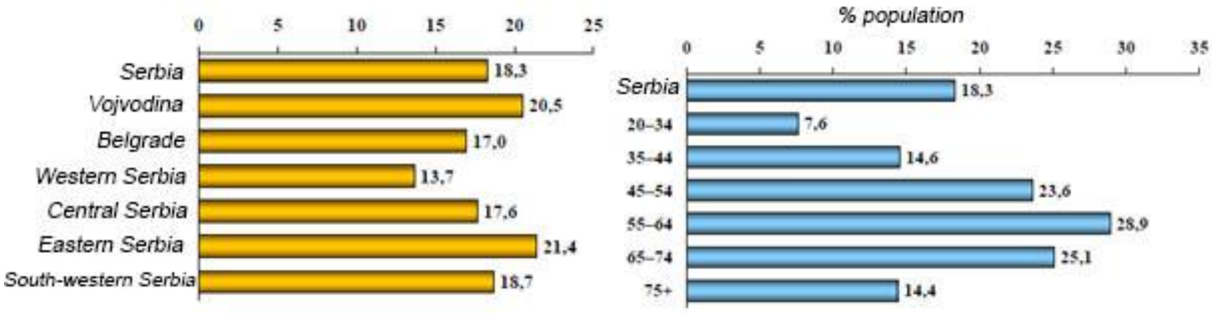

Figure 5: Percentage of overweight population regarding age and geographical region.

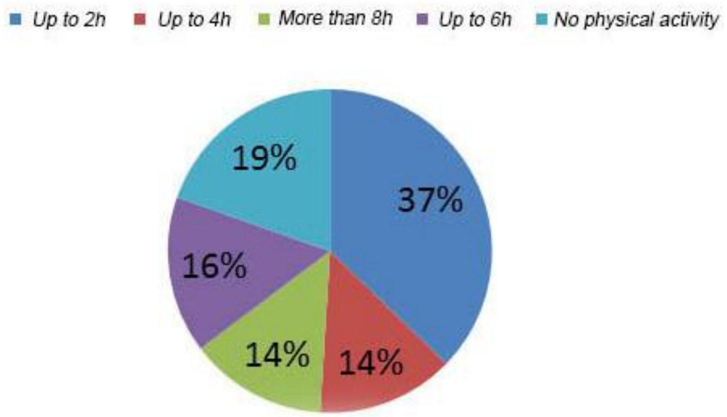

Figure 6: Physical activity of children and youth (15-25 years old) in hours per week.

The results of the Eurobarometer confirm the need for measures to encourage more people to make sport and physical activity a part of their daily lives. This is crucial, not only in terms of an individual's health, wellbeing and integration, but also because of the significant economic costs resulting from physical inactivity. The Commission is committed to supporting Member States in efforts to encourage the public to be more active. We will implement the recently adopted Council Recommendation on health-enhancing physical

[7] European Commission, (2009-2013), Eurobarometer survey (p. 20-193), European Commission's Directorate-General Communication, Brussels, Belgium.

activity and move ahead with plans for a European Week of Sport. The new Erasmus+ program will also - for the first time - provide funding for transnational initiatives to promote sport and physical activity.

3. RECOGNIZING THE NEGATIVE TREND VIA GLOBAL SPORTS INDUSTRIES

Several reports establishing a link between a lack of physical activity and health problems have been published all throughout Europe.

These studies show that health threats, such as chronic sicknesses, obesity, posture problems and also a reduction of the cognitive processes can be linked to physical inactivity. Especially young people´s lifestyles have shown a growing trend towards increasing sedentariness coupled with an inadequate diet. This combination of critical factors motivated the partnering organizations to propose a project, using physical activity and education, to promote an active, healthier way of life. The design of the activities has been originally developed for the German-Dutch EUREGIO project named GKGK.[8]

Particularly the age group of children and adolescents should be paid special attention to, as it is in the young years that the foundations are laid for a healthy lifestyle. Therefore play, sports and exercise should be conveyed and encouraged during youth in order to install a lifelong healthy lifestyle.

Numerous investigations have shown that it is far more cost effective and promising to invest in preventive measures by conveying and imprinting a physically active lifestyle, than the treatment of health problems – especially obesity.[9]

Sport as a physical activity is often in a shadow of elite sport. Matter of fact is that sport represents crucially important activity area in ones' life. Being committed to physical activity at early age, is influencing future development of healthy behaviour. Improving school sport is vital, therefore different examples of good practices from all over the globe following below.

Great Britain is an example of highly developed support to talented children and youth, as well as to talented sportive pupils. Their high - schools are running special educational program as a support for young athletes (*Junior Athletes Education – JAE*), but they also have a specialized colleges (*specialist schools*) as a support to talented young people in general.

Since 1994 Australia is developing a national program for identification of sportive talented youth, which has similar to the previous example, strong basics in educational system. Referring to the required annual students' tests for school's sport record, Talent information system has been upgraded while data could be used to grade talent of pupils for specific sports.

Taking into consideration these examples, researches which are done in the field of Serbia emphasize dimension that requires attention. More than half of the schools in Serbia don't meet the required needs for delivering the classes of physical education, specifically sportive halls and equipment.[10]According to this study, 36.5% of schools in Serbia doesn't have a required size of the sportive hall, while 48.5% has the small one (dimension less than 450 m2). Sportive hall that meet all required and proposed needs have only 15% of schools in Serbia, but still 107 schools are missing equipment. Positive impact of physical education is barely impossible, mainly due to the uneven and weak material and spatial conditions, followed by discriminatory valued work of teachers in sport. Abovementioned study presented one positive fact, too. Relying on statistics, pupils in Serbia are significantly more interested to practice sport and physical activity, compared to their generations in other European countries.

4. MODERN TECHNOLOGIES AND SPORT

Complex cultural situation in which young people are struggling to find direction in their lives or simply to survive, to improve their living conditions, and to develop their identities has been given various names.

[8] ENGSO Youth (2010), "Healthy Children in Sound Communities" (p. 2-14), ENGSO Youth, Berlin, Germany.

[9] World Health Organization (2007), "Nutrition, physical activity and the prevention of obesity" (p.17-33), WHO Publications, Copenhagen, Denmark.

[10] Ministry of Sport and Education, Research Sport center of Serbia and National Olympic Committee of Serbia (2008), "Report: Study of current situation of school sport in educational institutions in Serbia" (p. 3-19), Institute for Education Quality and Evaluation, Belgrade, Serbia.

Some call it the information or informational age, while others prefer the term technoculture1 or techno-capitalism, global media culture, or simply globalization, referring to the dialectic process in which the global and the local exist as "combined and mutually implicating principles". [11]Labels such as post-industrial, virtual and cyber society are also in use. The idea behind all these terms is that across the globe, ICT are playing a central role in young people's lives and in society at large.

Europe's youth are growing up in a connected world of internet access, mobile phones and electronic interactivity. Sport remains the most effective means for youth engagement and participation. Efficient use of media is the infrastructure for reaching and engaging youth today, where numerous studies from inside and outside of Europe document how young people are using various media sources as outlets to participate, share knowledge and – more generally – engage in societal matters.

The ubiquitous trend of using the Internet and mobile devices has imposed the IT solution as a logical realization mode of the project of integration of youth and modern technologies with aim to encourage physical activity. This will be the most effective approach to bring the services closer to our target group - **youth**, physically active and inactive individuals and groups. Even in our environment, youth is a group that is above average computer literate, i.e. they are regular Internet users, accustomed to finding, ordering and purchasing products and services through all networks. By comparison, the research shows that students often use computer, as 62.26% of students use computers on daily basis, and 23.13% of them use them several times a week.[12] The percentage of students who do not use the computer for more than one week is 11.6%, while the percentage of those who use the computer a few times a month is just 6.96%.

The development of the third and fourth generation of mobile technologies allows the appearance of new devices which successfully combine two important characteristics of mobile Internet: mobility and quality connection to the Internet. There is an increasing number of mobile phone apps for various platforms (Android, Windows Phone, iOS, Firefox and others) that are dedicated to monitoring of personal athletic performance (e.g. Sports Tracker, MapMyRun, CardioTrainer, iFitness, RunKeeper, etc.). A commonly used approach is relying on the embedded functionalities of the phone, such as GPS, which determines your current location on the map, accelerometer, which determines the speed of your movement, then, the mobile data transfer and the like. In recent years, another interesting approach is the use of wireless sensor networks bondable with smart mobile devices for the purpose of continuous monitoring and control of physiological human functions in sports. Good information for us is that our students have expressed great confidence in the computer and information technology (see Figure 3).

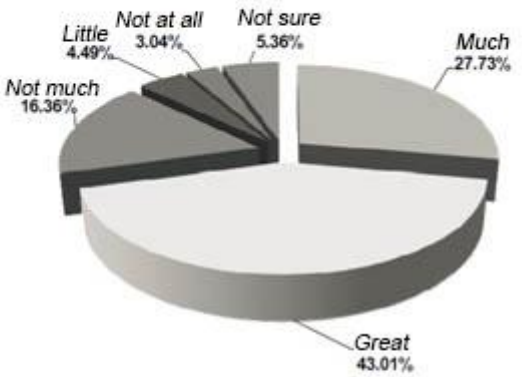

Figure 7: Confidence of students in computer and information technology.

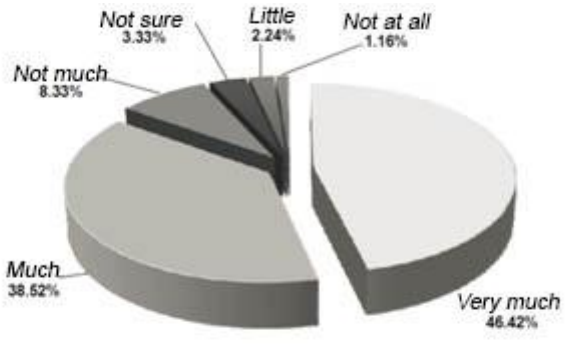

Figure 8: Students' opinions about how computers and ICT can contribute to the modernization and improvement of education process.

Also, 45.94% of students strongly believe that the future of education lies in information technology, and 29.93% of them greatly believe so, 10.22% somewhat believe so, 6.74% do not believe so and 7.17% of students are not sure about it.

[11] United Nations' Department of Economic and Social Affairs (2003), "Youth and Information and Communication Technologies (ICT)", World YOUTH Report (p.21-143), United Nations publication, New York, USA.

[12] Milovanović, K., Milosavljević, V., (2004), "Research regarding attitudes of children in primary school about adoption of ICT resources in teaching and studying" (p. 1-43), Microsoft Software d.o.o. and Unasoft, Belgrade, Serbia.

5. TARGETED COMMUNICATION AND CAMPAIGNS

Reflecting on increasing the influence of physical education, every improvement of macro and micro long-term oriented interests towards creating systematically healthier nation and youth with clear sport oriented habits should have certain support from country where solution is proposed and realized. Engaging institutional support, but also media and industrial sector is obligatory in order to achieve high level of influence and to meet needs of the community in general.

Authors have identified good practices from European level to regional and national examples that combines modern technologies, young population, community and strong partnerships follows: **European Week of Physical Activity NOW WE MOVE campaign[13] (Europe), Fotomarathon (Germany), We Run Belgrade, the MUZZEUM project[14] (Serbia)**. All share a specific or general common goal of enhancing physical activity among nowadays population for a better and healthier future.

6. INFLUENCING THE REGION

The previous examples from Serbia have not focused on the integration of modern technology to mobilize the youth at the institutional level, with aim to make them like an active and healthy live. The projects were instead mainly focusing on training and adapting sports fields and facilities (tennis courts, mini pitches, multi-purpose courts, jogging track, gym and outdoor, etc.). Projects such as the "Paths of health" (2006), and "Let's improve sport in Vojvodina" (2010) of the Provincial Department of Vojvodina and local governments were directed precisely to this problem. A similar example is the action "What do you train?" (2009), launched by Coca-Cola Hellenic and the Coca-Cola Company with the organization ADFOR - Children's Forum, with the active support of the Ministry of Youth and Sports and the number of partners such as the Institute for Sport, sports Association of Serbia, National Office, Ada Ciganlija and UNICEF, with the aim to motivate those young people who were previously uninterested and insufficiently active to take an active role and play sports.

The study of the situation in educational institutions in Serbia in connection with school sport (2008), which the Ministry of Youth and Sports conducted jointly with the Institute for Quality Education and the Olympic Committee of Serbia, has led to significant results on the situation of school sport. The most popular sport in schools is volleyball, which is the most abundant of the extracurricular, sports activities. A total of 36.2 percent of schools do not have volleyball as an extracurricular activity; 75.7 percent of schools do not have athletics, which is a basic sport; furthermore, 89.6 percent of schools do not even have gymnastics as an extracurricular sports activity. Less popular sports activities, such as aerobics, karate, chess, archery or rowing, almost do not exist as extracurricular activities - this practice is present in between 0.2 and 0.8 percent of schools. Young people are most active at the age of 15-18, when they are involved in school and club sports and system activities (school competitions - School Olympiad, an annual National School Championships, youth sports leagues in the system of national associations). When it comes to educational profiles, the most active students are the ones from the Faculty of Sport and Physical Education, and from other faculties: FOS, the Faculty of Law, Faculty of Mechanical Engineering, Faculty of Electrical Engineering, Economics - mostly faculties who actively participate in the Student leagues, competitions among universities (University Sports Federation Serbia) and international student championships. However, all the problems related to the availability of sports facilities and sports equipment significantly hampered attempts to make youth more interested in sports, especially when it comes to the inactive part of the youth. It is therefore attempted to use modern means of communication and modern technology to approach the youth in helping them understand the need for this way of life. However, the fact that nearly 80% of respondents said they would like more information about the importance of individual exercises, healthy eating, self-training, and the like is very encouraging.[1]

7. CONCLUSION

Despite of number of studies and initiatives for raising up awareness, Eurobarometer in 2013 represented a pore picture where large proportion of adults in Western cultures are physically inactive, despite several decades of warnings and intentions about the potentially negative health consequences of a sedentary lifestyle. Weak points of the Eurobarometer can be revealed, for example the question on the existence of sport facilities should have been broadened. Even though a high percentage of people appointed that they

[13] The official webpage of the NowWeMove Campaign (2012-2020): http://www.nowwemove.com
[14] The official webpage of the Muzzeum project: http://www.muzzeum.com

had sports opportunities in their area, it would have also been interesting to find out more about the quality of the sport facility and if they offer the kind of sport that people actually want to engage in. Efforts to promote and increase physical activity so far have focused on identifying its determinants and designing interventions that might effectively empower regular physical activity. Following global trends in technology and linking them to sports, represents step forward and one of the crucial criteria in communicating and popularizing sport among youth.

Whether it is about usage of social media, mobile applications, internet services or other technological solutions in sport, implementation of such idea should contribute to healthy lifestyle among youth in general through practicing physical activity.

Support of the key stakeholders play an important role in realization of this initiative, starting with different approaches for gaining youth attention and how their interest in sport will be maintained in a long-term perspective. It continues with the importance of how such initiative will be financed and covered by media, supported by all necessary regulations. When it comes to institutional support, it should focus mainly on systematic activities (setting up the legal and formal regulations on youth sports, system software and infrastructure financing activities). University of Belgrade and National Olympic Committee of Serbia have long tradition of initiatives that are very well welcomed and strongly supported. The results and experiences (good ones and bad ones) are recommended to be used to develop specially tailored health-enhanced multi-actor-programs for the partnership of schools, sport clubs and universities on community level.
Legacy remains: developing more opportunities for all to engage in an active lifestyle in order to counteract physical inactivity and overweight/obesity.

8. WHAT'S NEXT: STUDENTS IMPROVEMENT

We have introduced to university students how global issue of inactivity is influencing the national perception, asking them for a sustainable and efficient solution(s).

Table 1: Solutions that solves problems and achieves goals

Problem	Goals	Solution
Inactive youth	Increase physical activity among youth	Interactive mobile phone sports application
Bad infrastructural condition and poorly equipped	Upgrade sports infrastructure	“I am running for school”
Increase of obesity and chronic diseases among youth	Reduce number of obese kids for 5% in next 3 years	Lectures, activities, special events

Best and unique solution introduced was a “TreninGO!” a mobile application for Android platform intended to youth, but also to general population.
According to the survey, majority of young population is not physically active, often spending less than 2 hours per week on physical activities. One of the biggest problems identified back then is that one third of the schools do not have sport halls and facilities and that the existing ones are in bad infrastructural condition and poorly equipped. On the other hand more than 50% examinees are using smart phones, and 60% of them are not familiar with the activities of the Olympic Committee of Serbia.
Through “TreninGO!” project, society will gain the chance to reach young population, and then to influence society, introducing the application through solutions that could meet and reduce above mentioned issues.

ACKNOWLEDGMENTS

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World Health Organization (2007), “Nutrition, physical activity and the prevention of obesity” (p.17-33), WHO Publications, Copenhagen, Denmark.

APPENDIX

1. STARTING APPLICATION

- Splash screen with logo of the application (TreninGO!), “Beat yourself” motto and partner logos.
- Application **Login** via **Facebook account, Google + or e-mail,** where basic information is applied to application.
- User can see profiles of his friends, and user can invite friends to join application.

2. USER PROFILE

- **Basic information:** User profile contains **photo** (1 additional can be chosen), **name, birth, gender and location**. User can also write something in “about me” field which is limited to 140 characters.
- **Statistics:** Several statistics are available for user – **total time** user spent doing sports, **total distance**, **total amount of calories**, **amount of hamburgers** user burned doing sports (total amount of calories / hamburgers calories value) and **average speed**.
- **Badges:** Doing sports and reaching specific goals, user can win the different badges visible on his profile, which could be shared on social networks. The examples of achievements are: **first run**, **fastest time**, **7 days doing sports in a row,** but also **two weeks of inactivity**.
- **Rating:** Users can rate other users according to their activity, and rating of each user is shown on user profile and presented with stars.
- **History:** History for the user activity is available for each day, week or month.

Figure 9: Splash screen with logo of the application (TreninGO!), “Beat yourself” message and partner logos.

Figure 10: Login screen of the application.

Figure 11: Profile screen that contains information about user.

3. NEWS FEED

- **Interaction:** In a NEWS FEED **user can see activities of his friends at the moment**, **the results they achieved** or **which sport event did they sign up**. After finishing sport activity user can share result on social networks.

4. CHOOSE TRACK, TEAM AND CHALLENGE

- **Chose Track:** Map shows all the tracks and sport courts. Each track has basic information such as name, length, ground type, rating presented with stars, average time and current king who holds the best time. The king is a person who made the best result (fastest time) for past two months. Users can add different tracks, sport courts, and outdoor sport machines on their own, and they can add photos. User can also write reviews and comments about sports locations. After choosing the track, user chooses if he wants to compete with some result which could be his best time on that track, or the best time of his friend, or the fastest time on track in general. After choosing the track and starting an exercise, user can see his progress on the map, current time, and time left for beating the best result. **Hint:** There is a welcome message when user enters the track for the first time. In order to add the track, user needs to run that track, so the starting and ending point could be defined.
- **Choose your Team:** User can create a sport event on a certain location and invite people to join. Other users have YES, NO, and MAYBE available as choices.
- **Choose the Challenge:** Challenges can include various sports and exercises for users. User will have different exercises programs available, which are provided by Serbian Olympic team. Users that choose challenge option will have different written tasks each day. Some tasks might include a video or a key message from the sportsman. During the challenge and after successfully finished task, different motivational and supportive pop up messages and push notifications could appear. After finishing the challenge successfully user gets special badge.

Figure 12: Screen that shows available tracks and challenges.

Figure 13: Screen that show map with current progress.

5. CHOOSE ACTION (GOOD CAUSE)

- Users can join different campaigns where they can for instance “Run for their school”. For each kilometre that users ran or walked, they donate specific amount of money for renovation or new equipment.
- Progress line shows how much money is raised, and how much is needed for renovation.
- All the data that users generate can be seen on the website after logging in.

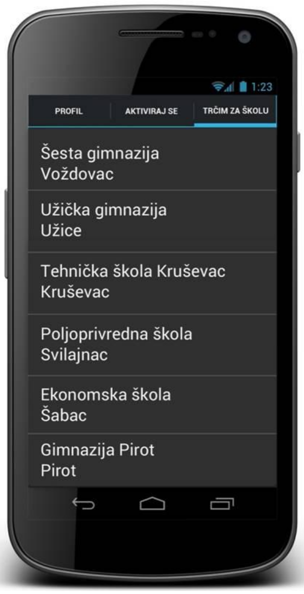

Figure 14: Screen that shows schools available for donation.

Figure 15: Screen that shows how much money is raised, and how much is needed for renovation.

ALFA BANK: DEVELOPMENT STRATEGY FOR NEW DIGITAL CHANNELS

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Abstract: *Alfa Bank is one of the leading private Russian banks. This case study provides information about strategies that Alfa Bank is implementing in battling with competition, with special focus on new digital channels, as they represent a new business model for attracting customers. The authors present an overview of Russian banking industry, banks competing on this market, as well as an overview of customer segments and popular services. There is special focus on e-banking and electronic channels that Alfa Bank is using and how their implementation has helped the bank reach the leading position among privately owned banks, with further potential for development.*

Keywords: *Alfa Bank, bank industry, competitive advantage, new business model, digital channels*

1. INTRODUCTION

Maxim, director of e-business at Alfa-Bank, was spending sunny Saturday afternoon on the porch of his favourite café with his sister Anna. She moved to America 10 years ago, graduated from university there and is now working in a major U.S. company in the field of information technology. Maxim was glad to argue with her about latest technological innovations, improved gadgets, and cutting-edge technology. They started talking about E-banking and difference between America and Russia. For Maxim, it was hard to understand why Russians are so reluctant to pay via the Internet, but he was sure that in the future electronic channels will be the best way for bank to stay competitive on Russian market.
Next day he decided to set up meeting with board of directors. He thought that company's strategy for electronic channels is not clearly defined and in the future, using these channels may be best way for company to stay competitive. However, he was not sure how the company can use and improve electronic channels. He decided to start with setting up the goals:

1. Increase number of Alfa-Klik users from 20% to 30% in 2014
2. Increase number of Alfa-Mobile users to 15% in 2014

2. COMPANY BACKGROUND

Alfa bank is the leading Russian private bank by total assets, total equity, customer accounts and loan portfolio, founded in 1990 in Moscow, where it is headquartered today. Alfa Banking Group offers a wide range of products and operates in all sectors of the financial market, including corporate and retail lending, deposits, payment and account services, foreign exchange operations, cash handling services, custody services, investment banking and other ancillary services to corporate and retail customers. Its branch network consists of 617 offices in Russia and abroad, and it includes a subsidiary bank in Netherlands, and financial subsidiaries in the United States, the United Kingdom and Cypress. The bank employs over 25.000 people and provides services to over 109.000 corporate customers and 10.6 million retail clients. Throughout its history, Alfa Banking Group has considered its reputation as its most valuable asset. For this reason it was one of the first Russian companies to publish a Social report. In 2013, Alfa Banking Group also picked up awards: ―The best retail bank" by Retail Finance; ―The best internet Bank in Russia" in 2013 by Global Finance; the title of the Best Russian Bank providing private banking and wealth management services in 2013 by SPEAR'S magazine. (Alfa-Bank corporate site- Corporate Profile, 2014)

Alfa-Bank Russia has a mix of Western and Russian management which successfully combines international standards of business and corporate management with deep knowledge and expertise in the Russian market. Its franchise is supported by an extensive distribution platform with multiple delivery channels, including in-person service through branches and offices, and ATMs spread across Russia and the CIS, as well as remote access through internet and phone. Alfa Banking Group has always supported charities, Russian culture, the creation and development of programs for young talent, and corporate responsibility has always been a key component in its social policy. The most valuable asset of the company is its reputation.

(Alfa-Bank corporate site- Alfa Bank Governance, 2014; Alfa-Bank corporate site- Corporate Profile, 2014; Alfa-Bank corporate site- Annual Rreport, 31.03.2014)

Alfa Bank Finance Structure

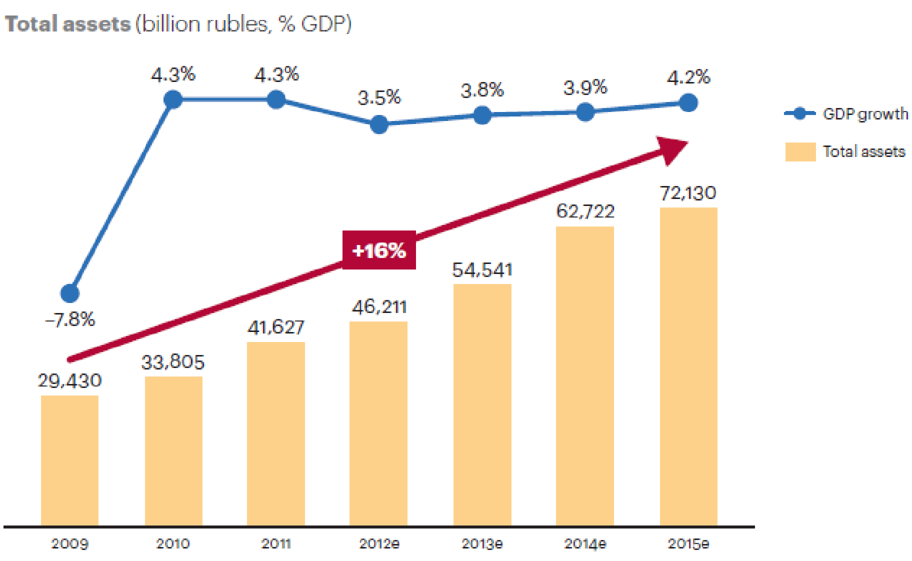
Net profit of the Alfa-Bank Russia for the period (2013) amounted to USD 900 million which is the highest reported annual profit in the history of Alfa-Bank Russia. Total equity increased by 16 % to USD 4.8 billion. Total operating profit before tax and provisions was USD 3.1 billion. High profit was driven by considerable growth in net interest income and fee and commission income reflecting excellent performance in all core business segments based on expanded customer base, portfolio growth combined with high quality of delivered services and operational efficiency. (Alfa-Bank corporate site- Alfa-Bank News, 2013)
The Alfa-Bank Russia net interest income increased by 33.5% to USD 2.3 billion in 2013 from USD 1.7 billion in 2012. The increase was mainly driven by growth in interest bearing assets, in particular retail loans. In the 2013 total assets of the Alfa-Bank Russia increased by 5.9% to USD 48.6 billion at December 31, 2013 from USD 45.9 billion at December 31, 2012. (Alfa-Bank corporate site- ABH Financial Limited, 31.12.2013)
In the funding structure of the Alfa-Bank Russia customer accounts remained stable at USD 26.7 billion as at December 31, 2013. Meanwhile, retail customer accounts increased by 17.8% to USD 14.4 billion as at December 31, 2013. (Alfa-Bank corporate site- Income statement, 11.04.2014)
As at December 31, 2013, cash and cash equivalents accounted for 12% of total assets. In addition, the Alfa-Bank Russia holds investment portfolio of highly liquid debt securities available for sale amounting to USD 2.1 billion. The Group has also access to secured and unsecured funding provided by the Central Bank of Russia. (Alfa-Bank corporate site- Annual Rreport, 31.03.2014)

3. BANKING SECTOR IN RUSSIA

Industry overview

Over the past six years, around 300 banks in Russia were taken over by large state owned or international institutions. Compared to other European countries, Russian market has grown with a CAGR of 27% from 2005 to 2010. There is even more room for growth on the Russian market, as banking sector assets represent only 75% of GDP, compared to 100% of GDP which is usual for developed economies. As shown in Table 1, growth projection is that by 2015 the market will grow by 16% compared to 2009.

Table 1: Future predictions for banking sector in Russia



With the majority of banks dominating the market being state-owned, private banks such as Alfa Bank need to find their spot on the highly competitive market by applying new business models and focusing on offering added value to their customers. There is also a trend of greater concentration by the larger banks (AT Kearney, 2013; Moody's Investor Service, 2013).

Customer segmentation

16 - 22 years old
This group includes students with first job (often part-time). They need short-term loans, money transfer services, simple forms of savings, as well as services related to tourism (purchasing insurance, multi-currency accounts, etc.), and cards. This group can be divided into youth, without special education, living outside the home, and youth with ongoing education.

25 - 30 years old
People this age are thinking about creating family, settling life, and therefore their needs are: targeted savings for purchasing houses, apartments, durable property and insurance for purchased property. Bank services popular for this group are: money transfers, opening a single account for family members, various forms of revolving credit, financial protection (insurance), account transactions via phone or internet.

28 - 45 years old
This segment includes people with established careers, steady, but still not free financial situation. Their goals are diversified: children education, family financial security and improving living conditions. Services popular for this group are long-term loans for purchasing durable goods and new houses, savings schemes for children and their parents, advices for insurance, savings and taxation.

40 - 55 years old
Goals and tasks of this group are very similar to the previous one. Representatives of this group are also supporting family and focusing on long-term products. However, a significant part of the income is spent on own and travel needs. The main features of this group are: revenue growth, reducing liabilities and pension planning.

Over 55 years old
This is the most robust and stable group of clients. Customers are characterized by the presence of large account balances. Necessary services for this group are: testamentary dispositions, financial consulting, trust capital management, operations related to tourism (purchasing traveller's checks, insurance, etc.), as well as credit cards.

Online bank users in Russia

The most active smartphone users are usually young people, as well as the more mature members of the middle class (men and women aged 23-37). They use Internet, pay and buy online more often than the others. On the other hand, in Russia, usage of e-banking depends on income. Among the users of "Alfa-Click" most customers are from the high-income group - more than 60% of all service users. The lowest percentages of users (35%) are customers from a group with income below average.

According to Alfa-Bank's research of customers, despite the active penetration of the Internet, electronic channels are still not popular in Russia. Alfa Bank has conducted research of customers who don't use e-banking. The study involved customers of Alfa-Bank and other banks, who don't use electronic services. Half of the clients (48%) had never heard of such a service as an internet bank. One fifth of these clients have the misconception about online banking and mobile banking, and only 16% of respondents have ever used online banking (mobile banking - even smaller percentage). The main reason why clients are not using electronic channels was that ―There is no need to use them". This indicates that customers simply do not have enough information about electronic channels and they do not understand how and why they can use them.

There are seven segments of "non-users" of electronic channels: disinterested (25%), customers who call several reasons (25%), problem – having customers with difficulties of using/connecting to services and prefer personal contact with staff offices (12%), beginners who do not know about the possibilities of the service (12%), disloyal who are enjoying such services of other bank or are simply uninterested (10%), sceptics who do not trust to the security system of electronic channels (8%) and customers who do not have access to the Internet (8%).

E-banking in Russia

Market for electronic banking channels is increasing annually. In 2013 market volume in Russia was 15 million users, and the total amount of transactions by individuals through online banks was 591 billion rubles. In Russia, almost every large bank has an application for online and mobile banking. As shown in Table 2, according to recent data, Alfa-Bank is positioned as the best online bank and the second ranked mobile bank in Russia.

Table 2: Internet banks rating - parameters: functionality and usability (Markswebb Rank&Report, 2014)

Ranking	Bank	Functionality	Usability
1.	Alfa Bank	A	4
2.	Bank24.ru	A	4
3.	Bank Saint Petersburg	A	4
4.	Russian standard	AA	3.5
5.	Moscow credit Bank	A	3.5
6.	Tinjkoff Credit Systems	BB+	4
7.	Svyaznoy Bank	BBB	3.5
8.	BINBANK	BBB	3.5

Ratings are indicating that the most successful e-banks, apart from Alpha Bank Online, are TCS Bank, Promsvjazj Bank, VTB 24, Bank - Saint Petersburg, Avangard, Sberbank, Russian Standard and others. TCS Bank doesn't have affiliates or branches, and all direct interactions are performed by courier. All the other activities are performed online. In 2013, this bank had more than 3 million customers. Customers have only Internet and Mobile bank at their disposal, and that's why this bank has the full suite of e-banking services and applications: full access to financial information on the card and the account, all payments and transfers and service management.

According to several publications, Promsvjazj was named as the best bank in Russia in 2013. Internet Bank PSB-Retail provides 24 hour client access to their accounts and full distant maintenance: paying bills, all the operations with cards, loan repayment and more. There are two versions of Internet Banking: informational (current account balance, deposits) and operational (full version of online banking). Bank VTB 24 offers, in addition to online and mobile banking, a service "Teleinfo" - an information service that can be used by calling a specific number. The most popular distant service in VTB 24 is internet bank. Number of users in the Internet bank "Telebank" exceeded 1.5 million users at the end of 2013. Sberbank has recently improved its services and now with large customer base is becoming leader. "Sberbank Online" is the largest Internet bank in Russia by number of active users (2.5 million people). Competitive advantage of Internet bank Sberbank is orientation on wide range of customers, including those customers that are not familiar with working with finances online. With "Sberbank Online" customers can view information on their cards, bills, statements, reports and receive mini-statements, open/close accounts deposits, make loan payments and more. There are two versions of Internet Banking in Sberbank: information and operational. (Promsvyaz Bank- Corporate site, 2014; PTB24 Bank- Corporate site, 2014; Sberbank- Corporate Site, 2014; TSC Bank-Corporate site, 2014).

4. ALFA BANK STRATEGY

The main goal of Alfa-Bank is to be the one and only bank for all customers, a part of everyday lives of Russians. Alfa-Banking Group's business model is focused on a rapid organic growth strategy, geographical expansion and further integration of business units and retaining of highly qualified staff. Main competitive advantages of company are customer focus and openness. According to research, number of customers of Alfa-Bank will increase by 13-15% in 2014. The main directions of growth are geographic expansion, strong positioning in new cities and the network development.
Main company's strategic goal is to:

• Maintain status as the leading private bank in Russia, while enhancing stability and profitability
• Set the industry standards in key areas such as customer experience, technology, efficiency and teamwork.

To achieve this, Alfa-Bank should focus on client with broad product offering for meeting customer's needs and customized approach to sales and services for target client groups. (Alfa-Bank corporate site- Annual Rreport, 31.03.2014)

5. ELECTRONIC CHANNELS OF ALFA BANK

Alfa-Bank is one of the first banks in Russia that started developing and investing in electronic channels. "Alfa-Click" appeared in 2003 as the most functional online bank in the country. In 2005, Alfa-Bank was the first to launch mobile banking in Russia. Now, Alfa Bank continues to develop its electronic channels, being one of the leaders in the Russian market and ratifying its title as the most innovative bank.

To ensure real-time innovations, department "e-business" was isolated in a separate division of Alfa Bank. And now, budget provided for electronic channels is distributed between: Operating part (IT support, 30% of total IT-budget) and Strategic part (R&D, about 70% of total IT-budget). In order to handle multiple operations, which are now carried out monthly in the Internet Bank ―Alfa-Click", Alfa- Bank would have to build more offices and significantly expand the call center. On the other hand, electronic services generate a certain fee income and additional revenue of about $ 2.4 million (about 5 % of total sales of Alfa Bank). That is the main reason why Alfa Bank never stops the development of new opportunities in the electronic channels.

Every fifth customer of Alfa-Bank actively uses the Internet bank, and every twentieth mobile bank. On the other hand, the western banks have much better indicators, with every third person in the U.S. and every forth in Germany using a mobile bank. This suggests that there is room for growth with electronic channels in Russia.

Most popular “E” services among customers of Alfa-Bank are following: 1) Mobile and Internet billing; 2) Account Transfers; 3) Transfers to other customers of the bank; 4) Bank to Bank Transfers; 5) Operations with online wallet; 6) Utility Payment; 7) Online shopping.

Important part of business of Alpha Bank – is investing in security. The Bank is providing the optimum balance between comfort, mobility and safety. That is why "Alpha Click” has two-tier system of protection. That is also the main reason why Alfa Bank is in many ways ahead of competitors in terms of safety standards.

The most common way of return on investment in electronic channels for large banks is commission for the client's transaction. There are two type commissions:
• Client commission for holding payment,
• Partner commission for the reception of the payment (Alfa Bank corporate site-News, 2014; 1C: Enterprise 8, 2014; Alfa-Bank corporate site-Internet Bank, 2014; Mikhail Belov, 2013).

6. ALFA CLICK AND ALFA MOBILE

Alfa Click online bank is an innovative product developed by IBA for Alfa Bank. It is based on the IBA Internet Banking system. Alfa Click is providing its clients with a secure 24/7 access to their accounts, including deposit and card accounts, as well as deposit and loan products. Main Functionalities of Alfa Click, based on IBA report, are (IBA Group, 2014):

• Balance statement on all accounts of the client
• Detailed information on loans, deposits, and card accounts of the client
• Client account statements
• Payments for mobile services, internet and cable TV services , public utilities, and other goods and services registered in the Belarusian payment system Raschet (Payment)
• Payments for goods and services registered in the Belarusian payment system Raschet (Payment)
• Transfers between client accounts in a single currency, including loan settlements from the client's own funds
• History of payments and transfers done using Alfa Click and Alfa Mobile
• Templates for payments and transfers. A client needs to indicate payment details only once. Afterwards, it will be enough to choose a ready–made template, including the account from which the payment is made and beneficiary details
• SMS alert management : connect the service, change mobile phone number, switch off the service
• Password change
• Alfa–Bank news feed, feedback option.

Alfa-Mobile - is service that allows performing multiple banking operations, using Java-based applications that customers can download. The main functionalities are:
• getting detailed information about the accounts (available balance, recent transactions on the account, the arrears, etc.);
• paying for the Mobile operators and Internet service providers;
• making transfers between accounts (Alfa-Bank corporate site-Mobile Bank, 2014; Alfa Bank corporate site-News, 2014).

7. CONCLUSION

In order to remain competitive on the market, Alfa Bank has to find a way to retain current clients while honing an edge that makes Alfa Bank appealing to all potential customers. Maxim, director of e-business at Alfa-Bank thinks that the best way to do this is improving electronic channels. However, to do this, it is important to define strategy for electronic channels that will be aligned with the strategy of Alfa Bank, and to target potential customers that have potential to be the most frequent users of electronic channels in Russia. Also, arising question is, what is the best communication and pricing model for current services, and is there a way to improve services, based on best practise of foreign companies.

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ENVIRONMENT, QUALITY, UNIQUENESS, ALTERNATIVE – MIXING 4P'S AND 4E'S

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Abstract: *The case study presents marketing, communication and sales challenges and issues, faced by Slovenian startup company ZkotZ (Ltd.) which is operating on international markets. The ZkotZ (Ltd.) company was established in 2010 and is growing since. The case study is described from the stand point of Tina Šegota, Director of Marketing and Sales, and Anže Miklavec, founder of EQUA and CEO of ZkotZ (Ltd.). Today company operates on 12 markets and owns three brands. ZkotZ (Ltd.) company focuses on production and sales a variety of reusable bottles. The most valuable brand of the company is EQUA which represents reusable bottles. EQUA brand was the best selling product in Slovenian market in its category in 2011 and 2012. In Slovenian market EQUA brand quickly became a symbol not only for reusable bottles, but also for ecology, water and sustainable lifestyle. After great success of EQUA brand in Slovenian market, company's management team (three assistants) decided to develop marketing plan for entering CEE markets.*

At the time presented in the case study Tina is discussing EQUA brand development strategy for CEE markets with her CEO. Aside from them, Tina gathered a team to brainstorm about different market entry and positioning strategies. But the main issue Tina would have to face in the next six months regards development of the most appropriate strategy to successfully enter CEE markets and position EQUA as a premium brand in the reusable bottles segment. The task in front of Tina is even greater having in mind that company had been planning to launch the EQUA brand on Croatian, Hungarian, Slovakian and Czech Republic market in next the years simultaneously. So Tina needs to work hard, act fast and make quick decisions in order to create the most suitable methods and tools for entering these markets. But even though selected CEE markets are in a certain way similar to Slovenian market and have historically and politically connection, potential customers nowadays have different needs and desires in different markets. Therefore, company conducted a research and identified interesting trend - raising consciousness about negative impact of regular plastic bottles on health of customers on CEE markets. This trend appeared after customers from CEE markets started to implement more ecological and sustainable approach into their modern lifestyle. If the company does not identify correctly different customers' needs and desires, and does not incorporate mentioned values into branding, advertising and selling the EQUA bottles, the managing team is risking failure of entering CEE markets.

This case study will provide students with basic perspective of strategic marketing planning within a company. The case reflects marketing, communication and sales issues and challenges faced by Director of Marketing and Sales in an international company planning to enter CEE markets and expand its operations.

Keywords*: CEE markets, brand development, EQUA, bottles, sustainable, lifestyle*

1. INTRODUCTION

In a small modern house in the centre of Ljubljana one could get lost only by listening how Tina was smoothly switching from Croatian, Slovenian and English language. At one point Tina was answering an email in Croatian, providing information to a Slovene customer on the phone and in another second talking to her co-workers in English. It was a cloudy November afternoon just before the rain. Tina loved the smell of rain because it reminded her of the changes that will happened when she was discussing brand development strategy with Anže, founder of EQUA and CEO of the company ZkotZ (Ltd.). They were talking about different strategies: positioning, market entry, brand development etc. So, the main problem Tina would have to face in the next six months was to develop a strategy to successfully enter CEE markets and position EQUA brand as a premium brand in the segment of reusable bottles. The demand for results was very high and there was no space for mistakes nor time to waste. Tina had to work hard and think about the methods and tools for market entry that could be recycled for CEE markets. The company had been planning to launch the EQUA brand in: Croatia, Hungary, Slovakia and Czech Republic, in 2011 and 2012. Even though these markets were historically and politically interconnected, potential customers nowadays have different needs and desires.

In her position as Director of Marketing and Sales, Tina Šegota has been facing daily challenges of marketing, communication and sales since the very first day she started to work for the start-up company ZkotZ (Ltd.) two years ago. All those challenges were connected to branding, advertising and selling the EQUA bottle – a reusable plastic bottle for water which would enable people to be hydrated wherever they go.

In the beginning of the 21st century, bottled water was one of the most desired and purchased products in the world. But many countries, among them also countries from Central and Eastern Europe, have high quality tap water. The problem with regular plastic bottles emerged when customers started to implement more ecological and sustainable approach into their modern lifestyle. Today's customers started to notice a high percentage of regular plastic bottles in waste and countless studies about negative impact of different plastic moulds on their health.

Therefore, in 2010 Anže Miklavec, CEO of the company ZkotZ (Ltd.) decided to establish a new brand that would be related to ecology, water and sustainable lifestyle. Anže's team came up with an idea of reusable branded bottles for water that would be made from top quality plastic material and would represent the best alternative to regular plastic bottles which would enable customers to use tap water more frequently and save more money. The whole concept of the brand: its name, logo and slogan *For your health and nature's wealth* were carefully designed to highlight brand's mission and values and to repeatedly remind customers of two basic ingredients of the brand – ecology and water. But since EQUA brand hit the Slovenian market in 2010, it was a challenging task for the company's marketing team to launch it in Central and Eastern Europe markets and to make EQUA a premium band in the segment of reusable bottles.

> It was decided that Croatia would be the first CEE market where the company would try to launch EQUA brand. The reasons to firstly enter Croatia were numerous: it was Slovenian neighbouring country which provided cultural, historical, geographical and economical relations, and since Tina was born Croatian there were no communication problems at all. So, the choice was a little bit obvious.

Since Tina was facing a very demanding challenge, she was thinking that there had to be more than just a simple 4P's of marketing thought by numerous academic marketers for decades. While Tina was searching for most appropriate method for entering CEE markets, she came across 4E's of marketing or so called new marketing eco-system presented by worldwide advertising agency Ogilvy & Mather. The 4E's of marketing were presented as a replacement for each of the 4P's elements: from Product to Experience, from Place to Everyplace, from Price to Exchange, and from Promotion to Engagement and Evangelism. But she did not like the complete elimination of traditional 4P's, so after a careful taught, she decided that it would be the best to combine 4P's and 4E's to create a new brand development strategy for CEE markets. In the next six months she had to answer numerous questions. "What does a customer encounter while purchasing and using EQUA BPA free bottle?" While brainstorming with Anže, Tina repeated this question from her notebook. Moreover, she continued with reading the questions that were rushing through mind "how to use social media and other communication tools to present the product in a way to be seen by everybody? And with so much on the web being offered for free, how to justify the price of the product?" Tina finally concluded that "promotion isn't enough any longer. With so many communication channels, we can't just bombard people with messages and hope they'll pick them up. We have to figure out how to get customers to allow us into their attention spans. And we have to do it so unified that it would work on all CEE markets."

2. EMPHASIZE PRODUCT BENEFITS FOR BETTER CUSTOMER EXPERIENCE

EQUA's name consists of two words eco and aqua. The name stands for ecological, reusable and trendy products. In November 2011 there were only two products in the brand's portfolio: EQUA BPA free bottle 600 ml and EQUA BPA free bottle 400 ml. There were more than 20 different designs to choose from for BPA free bottles and they could be used for different purposes and at various situations: at home, in the office, during sport activities or even while having a walk through the city. On top, the bottles were very practical, light and easy to use on a daily basis. Slogan of the brand *For your health and nature's wealth* directly represents the message the EQUA BPA free bottles tent to communicate regarding health and ecology (MyEqua, 2013).

Anže decided that Tina would be the leader of the team to support entering the CEE markets. The team consisted of four people: Jana was a graphic designer; Helena provided web page support, marketing assistant Monika and Tina. On the first meeting, after team was put together, Tina was explaining the purpose of EQUA brand to her team "the first collection of EQUA BPA free bottles was designed with the desire of raising awareness about the importance of clean and safe environment and the influence it has on people's health. It also aims at showing that living a healthy and active lifestyle can be fun. But it is not just about fun, our care for nature is real so we decided to donate 10% of our net sales profit to the ecological organizations. That way we can enable for our customers to make a contribution to better and cleaner environment." Moreover, she stressed out that "more importantly, we have to implement a special experience for a customer when using each EQUA product. It would be the best to combine EQUA's slogan and product benefits into a story."

The story of EQUA BPA free bottles

Back in the office in the middle of November 2011, the team worked constantly together for days trying to come up with the story for EQUA BPA free bottles (My Equa, 2013). After spending numerous hours talking about product benefits, potential customers and the brand, the team agreed that EQUA BPA free bottles would be presented as one of the best alternatives for regular plastic bottles. "Normally, unnecessary emissions are used for production, transport and storing of a regular plastic bottles. They are also harmful for the environment and have consequences to our health. But there are not any extra emissions used for production of tap water, which is simply the most ecological and the cheapest to drink," Tina said to the team.

While looking through the window in the office, Tina was thinking about EQUA's customers. She looked at her co-workers and said "O.K. girls, listen really carefully." Helena, Jana and Monika turned to Tina and listened to what she had to say. "Let's say that I am one of many potential customers of EQUA. I am a woman in her late twenties who mainly spends her working day in an office. My private life consists of regularly going to the gym, hanging with my friends in coffee shops, relaxing in wellness clubs, travelling and spending time with my family. So, I take care of my physique, my health and my expenses. Therefore, EQUA bottle would benefit me in many ways: I would always have a bottle of fresh tap water in the office and most importantly I would like to know that the bottles I drink from would not jeopardize my health." The team began to discuss the materials regular plastic bottles were made of and how it influenced the content of the bottle if used regularly. They agreed that the content from regular plastic bottles could become dangerous when consuming liquids from it. What makes the EQUA BPA free bottles more suitable to use is the material the bottles are made of and which does not contain harmful chemical compound BPA. Each bottle carried the "BPA free" certificate that guaranteed that consumption of the content from the EQUA BPA free bottles was 100% healthy and harmless for both human and environment.

"The EQUA bottles are meant for long-term use and are recyclable" Tina started to build the argument with her team. Since all EQUA bottles are made of high quality material Eastman Tritan™ copolyester, an amorphous copolyester derived from vegetable source, the bottles do not contain harmful chemical bisphenol A (shorter BPA). "While reading scientific papers, I came across some serious data which link BPA to changes that lead to breast and prostate cancer, allergies, and hormonal disorders. Therefore, we have to emphasize product's most outstanding features: its excellent toughness, hydrolytic stability, and heat and chemical resistance," Tina continued with the transformation of product benefits into the story for customers. "If I continue with my perspective as a potential customer, I would like to have a bottle that I could fill with hot and cold liquids, wash in a dishwasher and most importantly have it as an accessory wherever I go. For me it is important to put a statement out that I take care of the environment by not contributing to plastic waste because I drink from only one bottle all the time. This bottle is eco-friendly, it has a nice design that suits my style, it reminds me to drink water whenever I look at it and moreover, it is my new trendy accessory which fits into my bag," Tina concluded with her story.

Tina's co-workers agreed to the description they had just heard and the discussion continued with the descriptions of other potential customers: men, teenagers, pregnant women, young mommies and their children. At the moment there are more than 20 different bottle designs (see Figure 1) for both product sizes (400 ml and 600 ml). It was decided that the main story of EQUA BPA free bottles would unite the preservation of health and environment by emphasizing multiple situations where one could use the bottles. "The experience behind the EQUA BPA free bottles is in customer's wish to use the bottle as frequently as possible because one is taking care of his or her health and environment. The moment when a customer drinks from the EQUA BPA free bottle, he or she also influences life of others by contributing to better and cleaner environment for future generations. And this is the statement we want EQUA's customers to give to others," Tina added at the end of the meeting.

Figure 1: The most popular designs of the EQUA bottles

3. PROVIDE ENGAGEMENT IN EVERYPLACE

In CEE markets a discount group buying was really popular. Therefore, Tina saw an opportunity to firstly enter Croatian market by offering the product nobody knew through the biggest discount promotion website in Croatia – www.kolektiva.hr. “For EQUA the discount promotion represented the most suitable tool to reach the customers who are willing to buy a product for at least 50 % off. This will provide us with instant feedback and sales results” Tina explained her decision. Anže was very supportive of her decision since this would provide his team with instant feedback of what else could be changed in the presentation of the product. When presenting the product for the first time, it is of big importance to choose the most appealing images. Therefore, Kolektiva promotion had been prepared for two weeks. The images selected had to reflect the story of the product. In November and December 2011 it was hard to catch sunny days to take good pictures, but Jana was doing her best. As a graphic designer, she was in charge of all visual material of the product and she decided to portray happiness of EQUA’s customers. Tina loved that about her because she could relate to any customer and portray it in the best possible way (Company Report 2012).

At Monday morning in the middle of December 2011 the team gathered in a room with all material they prepared to launch the product in Croatian market (Moja Equa, 2013). Each member of the team had a mug full with coffee on the table and Jana started with the presentation of numerous photos of the product. “Since Croatian customers would be introduced to the product for the first time, it is of big importance to select the images which reflect its usage,” Tina interrupted Jana’s presentation. But there was no room for panic, since Jana did just that – she planned numerous photo shootings in detail to enable the representation of both the usage of the EQUA BPA free bottles and happiness of the customers. She presented numerous photos reflecting happy and smiling people using the product in various situations – at work, in school, during the workout, outdoors, in a coffee shop. “I knew I could trust your instincts. You did a great job,” Tina said to support Jana’s work from the past two weeks. Later the turn of presenting her work came to Monika, marketing assistant, who did a research of the Croatian market. This was not so hard for her, since she spent most of her life in Croatia and she could understand people’s lifestyle and preferences. She did a research of the market and discovered that Croatians like colourful and vivid pictures. Therefore, it was decided the most colourful designs would be used to present the product on the discount website due to the lack of promotion space offered (see Figure 2).

Figure 2: Presentation of EQUA's discount offer on www.kolektiva.hr

"It is true that a photo is worth a thousand words, but when introducing a product for the first time, it is essential to describe product's quality, purpose and customer benefits," Tina said to the team. For the past few days she was working on the structure of the text to have all features as a story (exposition, climax, resolution) and was planned to guide a reader towards the purchase. The exposition introduced the problem of plastic waste and excessive financial costs connected to bottled water. The climax introduced the EQUA BPA free bottles as the best alternative for regular plastic bottles which were essential core of both the problem of plastic waste and costly bottled water. Furthermore, consumers' benefits were expressed through the problematic of bisphenol A. Since EQUA bottles are BPA free, the product was presented as a healthy and environmentally friendly reusable alternative bottle suitable for everyday use. "But the most important details of the product were communicated in the resolution of the text. Here a potential customer will be introduced to variety of product's features which emphasize the benefits of using the product," Tina was explaining the structure of the text. "In the resolution of the text we reveal that the material the bottles are made from is top quality material that enables more than just drinking water from the bottle. It also enables hot drinks like coffee, tea or hot chocolate and cold and freezing drinks. EQUA BPA free bottles come in two sizes: smaller bottle holds 400 ml and bigger holds 600 ml, right? So, a potential customer can choose the size of the bottle that would satisfy his or her daily hydration intake: a smaller bottle is suitable for children since it is lighter and easy to hold, it suits smaller bags women like to carry around and it best suits bottle-holder in a car. A bigger bottle is more suitable for those who are in constant need for hydration like athletes and pregnant women, those who work in offices and do not have a constant supply of the water and to those who go hiking or travelling where water supply is limited," Tina went on with the explanation.

Jana's photo material and parts of Tina's text provided Helena with the material to put on EQUA's web page www.myequa.com (see Figure 3). Helena used the assistance of Monika and her good writing skills to launch the web page only 3 days before presenting the product to the customers by Kolektiva. The web page also featured links to EQUA's Facebook, Flickr, LinkedIn, Twitter and other social media channels where customer could engage with the team. Nonetheless, Tina liked that idea so she put the links to the EQUA's webpage and Facebook in the sidebar of Kolektiva's offer to furthermore encourage consumers to contact the team to get additional information of the EQUA and its products (Kolektiva.hr , 2013).

Christmas time was approaching very fast and Anže decided to give the team well deserved holidays. "See you in 10 days," he concluded the meeting in which the team showed him that everything was ready for launching the product. "We will start with the discount action in the beginning of January 2012 because we will have lots of work. So it is important for you to rest and enjoy time with your family and friends. In the beginning of the next year we will have a blast," he added.

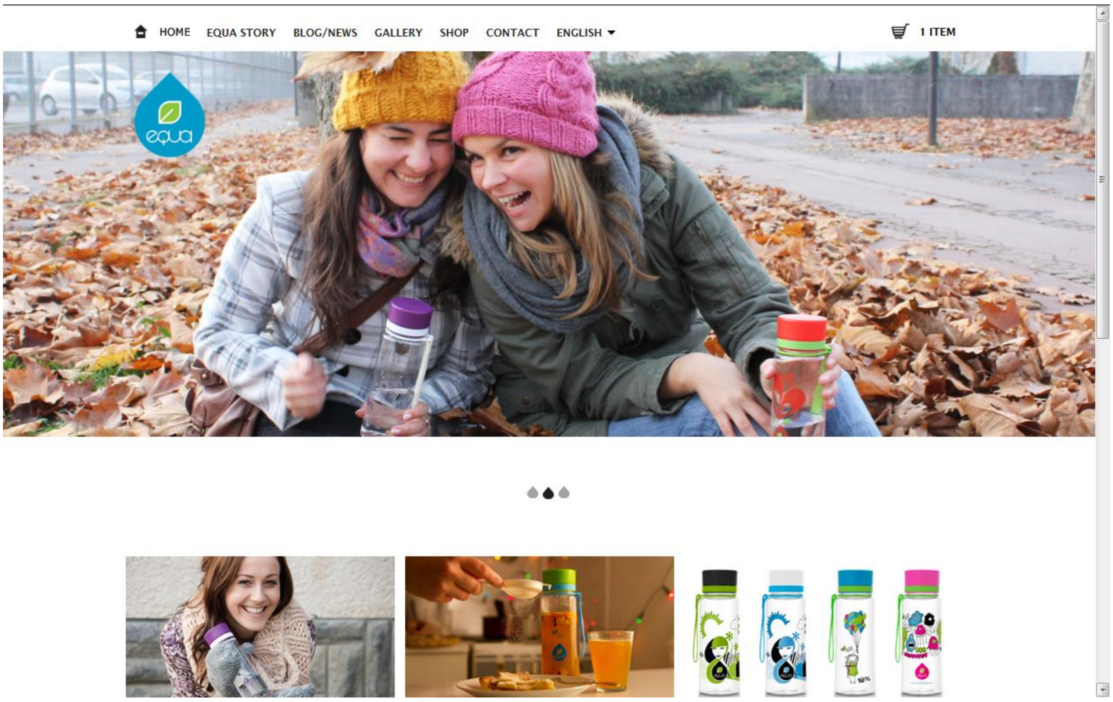

Figure 3: EQUA's web page (www.myequa.com)

And it was really a blast. Tina and her co-workers returned to the office on January 2nd, but all the preparations from 2011 were not forgotten. "It is time to go live with EQUA," Tina said at the beginning of the meeting were the support for market entry was discussed. It was decided that Monika would provide the support for social media channels and that she would answer all the questions customers would ask. Jana would support Monika with visual material and Helena would provide constant support for the web page and web shop.

Launching of the product happened on January 9th 2012 and in four days it reached enormous proportions. More than three thousand coupons offering one EQUA bottle for 50 % discount price were sold and after the offer customers were asking for more information about the product and where to buy it (Company Report, 2011). The EQUA BPA free bottles, with their appealing designs, became all consumers talked about on Facebook and at the same time encouraged each other to purchase it. Numerous buyers referred to the brand's official Facebook page EQUA Hrvatska to access additional information about the brand itself, its products and the story about bisphenol A. Consumers engaged in the communication by sharing numerous posts on their private Facebook pages and in private messages (EQUA Fan page, 2013). They recommended the product and, most importantly, they posted numerous pictures of themselves or their family members and friends using the product (see Figure 4). The team awarded customers' loyalty and was stunt by the reaction of their fans welcoming new fans.

"The result of this feedback was not only the proof of the successful communication strategy, but more, consumers' feedback resulted in increasing sales results in online store available on www.myequa.com," Helena presented results from web shop on the meeting the team usually had every Monday morning. "Moreover, we managed to do search engines optimization, advertise on Facebook and we invested a small amount of finances to Google AdWords," Tina briefly explained Helena's support in the launching process. "That enabled us to be seen everywhere in connection to online media," Tina added.

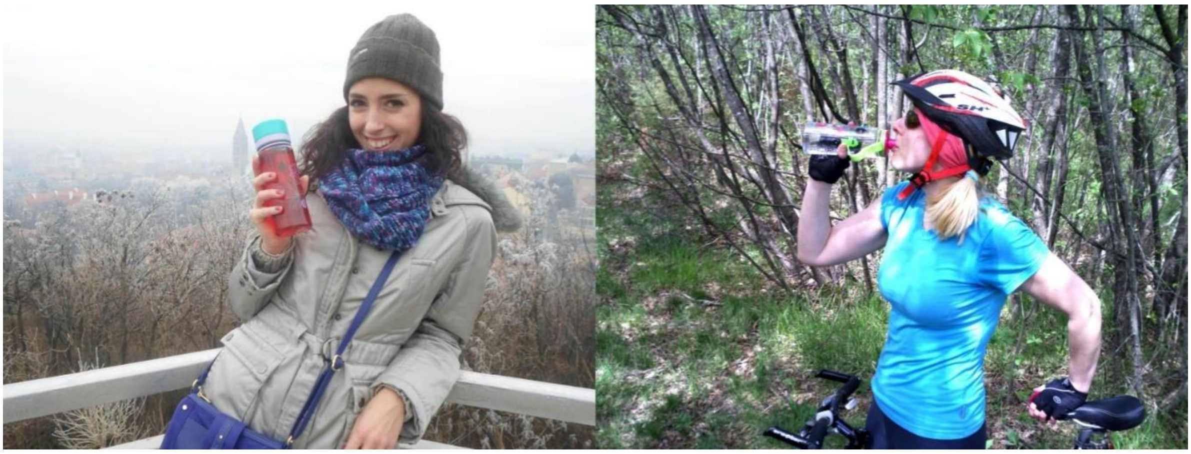

Figure 4: Consumer's engagement in EQUA Hrvatska Facebook page

4. TRANSFORM THE PROMOTION INTO ENGAGEMENT

Since online media played a big role in EQUA's brand launching story on the Croatian market, Anže wanted to hear how EQUA brand will caught people's attention in offline media. Anže added that "the results are outstanding but now we have to work even harder because not all people saw the product. We also have to promote EQUA in lifestyle magazines and we do not sufficient financial support for advertising."

Tina's analytical thinking helped her prepare for this, days ago when she was sitting in her office on Friday afternoon and was thinking about the results that team would have to present to Anže on Monday. Tina knew that the next step should be presenting the product to Croatian journalists. Several questions were on her mind "But how should we do it? Should we hire an advertising agency for PR or deal with journalists on our own? If we do it on our own, how could we get the journalists to love the product so much that they would write about it?" Tina was thinking while sitting in the dark. She left the office with these questions tangling her mind for the whole weekend.

On Monday, Tina came prepared with the answer, and started the meeting with explaining Anže following "we will face another challenge and do PR with all the help and knowledge we have *in the house*." "That means there is no need for help from an advertising agency and that we will take *do-it-yourself* approach in contacting Croatian journalists and try to make them love our product," she explained her decision. Anže stressed important fact "the only affordable financial investment in PR would be the bottles which could be compensated for the coverage." So, the Tina faced additional challenging questions: how to make journalists like and use the product, and how to present the product as a lifestyle accessory? But she was thinking very fast trying to recover some of the ideas she got during the weekend.

It was decided to communicate with *the message in the bottle*. The communication strategy had four steps. Firstly, the team had to choose the total of 20 editors-in-chief of lifestyle magazines and journalists covering the topics of health, trendy lifestyle and fashion. Secondly, the bottles with the most appealing designs for women were checked against all faults and prepared to be sent in special post-boxes. Thirdly, in each bottle was inserted a special personalized message for the receivers. The message described the product very briefly (no longer than two sentences) and offered a refreshing recipe of a delicious fruit smoothie that could be consumed from the EQUA bottle for breakfast or snack. And finally, the recipes were chosen carefully to include only exotic fruits (strawberries, pineapples, kiwi, and mango), because the team wanted the bottles to be presented as an exotic item in the market.

The packages for journalist were prepared in the next two days and sent out, but there was no place for rest for the team. Social media communication, web shop sales and production of visual material were constant ongoing processes in the office when Anže presented Tina with the next challenge. He showed up in her office in the middle of the week in January 2012 asking her "how will you justify the price of the EQUA BPA free bottles?" He continued putting the pressure on Tina by saying "if I were a customer, why would I buy the EQUA bottles for approximately 10 €, if I could drink tap water form regular plastic bottles which I get for free when buying bottled water for 0,60 €?" Tina looked out of the window; it was snowing that day, and knew she also had to prepare for that question. She asked Anže to give her one day to think it through and after Anže left her office, she looked at Ogilvy & Mather presentation of 4E's. The word *exchange* was tangling her mind for the rest of the day because she had to cope with very challenging question.

5. EXCHANGE THE BENEFIT FOR THE PRICE

The final element of 4P's of marketing included the price of a product. "A price is always a big problem: for a seller it is always too low and for a customer it is always too high," Tina taught. Since the price of a single EQUA bottle was promptly calculated and presented by Anže, Tina had to come up with the special preposition how to present product's price to the consumer. The EQUA bottle in a store would cost 9,95 € including VAT. A single bottled water could reach a price from 0,60 € to 4 €. "In consumer's mind it is cheaper to buy bottled water. The benefit for a customer is very simple – he or she would pay for the water and later on reuse its plastic bottle until it is not appropriate for further use," Tina was thinking out loud trying to figure out the way a potential customer would think. "I would also be outraged if one would offer me a plastic bottle overpriced by 150%. But I have to change this mind-set," she was determined to come up with the solution.

Tina started to think about the word *exchange* and what it meant in connection to the price, consumers, marketing and market economy. She invited Monika to join her in the office on Tuesday morning and they discussed the economic situation in Croatia. Monika said that her market research showed that "Croatians are very price sensitive. The economic situation in the country was not at its best and the country's GDP and average salary are lower in comparison to Slovenia." There was also a currency issue, since Slovenia adopted EURO in 2007 and Croatia is still in the process of negotiation for European Union membership for 2013. Therefore, there will be additional expenses with customs, transport and sanitary inspections that would influence the price. "But our customers will not understand this. They want to buy a cheap product no matter the problems we are facing now," Monika stressed Tina. After Monika exited the office Tina started to calculate the price. Taking into consideration all the costs, she entered Anže's office and started to present her solution.

"Anže, the price of the product in Croatian market should be lower than in Slovenia. The best psychological price one would pay for one EQUA bottle in a store would be 69,90 HRK for bigger bottle and 59,90 HRK for smaller bottle," Tina presented her calculations. Anže was not quite satisfied with the result because in Slovenia the price did not differ among sizes and when recalculated, Croatian customers would pay 0,65 € less than customers in Slovenia. "And if we take in consideration that Croatian VAT is higher than Slovenian VAT for 4 %, we lose lots of money," Anže expressed his dissatisfaction. Tina agreed with him but went on explaining that "Croatian market is double the size of Slovenian market which consequently means more quantities sold. And in the future if Croatia becomes a member of EU, all expenses will be transformed into profit." Anže give it a taught but he repeated to Tina the question from yesterday: "how will you justify the price of the EQUA BPA free bottles to potential customers?"

Tina was determined to explain the process. Firstly, the exchange Ogilvy & Mather were talking about would be expressed through the story of EQUA bottle. This is a key element when it comes to justifying the price of the product. "The main question is what a customer would benefit from the EQUA and we already emphasized that in our story," Tina stressed. "We delivered the story through all our communication channels and moreover, we already hinted the price when we offered 50% off on Kolektiva. So, I think our customers will not be so surprised to see that they would have to pay approximately 10€ for the EQUA bottle". Moreover, the added value of saving money when drinking tap water would be additionally stressed on the brand's webpage and social media communication channels. "We calculated that half a litre of bottled water is up to 255 times more expensive than half a litre of tap water. And I think that if we stress this information strong enough using every communication tool available and affordable to us, we can provide even additional economic benefit for our customers," Tina concluded with her explanation and Anže seemed quite happy with her answer.

6. WINDOW INTO THE FUTURE

Tina was aware that all CEE markets are not the same. EQUA brand entered Croatian market successfully, but Hungarian, Slovakian and Czech market were still to be entered:

> *The time was flying fast and it was already second Friday in February 2014. Tina set behind her table and looked at the picture of her team she kept on her desk. She was not needed to be reminded that there were still three more markets for EQUA brand to enter which could be so diverse that all effort put in Croatian market might not provide the company with desired results. April was approaching with the goal for EQUA to enter CEE markets and it was really difficult to try to repeat Croatian market activities in other markets. After all, Tina and her team did not know the language nor had personal insights into customer preferences for CEE markets. Tina used her knowledge from Marketing Management, Integrated Marketing Communication, Marketing Strategy and Human Resources Management class*

she had taken back at Faculty of Social Science, University of Ljubljana. She knew that market entry strategy depended on the decisions regarding hiring some help, but she was still illusive because she was struggling with the decision to hire some local advertising agency or an intern for each market. "If I only had more time to hire marketing assistants like Monika to provide some quality insights into CEE markets," she taught. "That would help me solve all question I have been struggling with: how to provide experience to customers, how to justify the price of the product and how to successfully deliver the news to local journalists," Tina left the office with that taught occupying her mind. She turned off the lights and locked the door of the office, since there was nobody behind her. All of her co-workers left for a drink in a small pub in the centre of Ljubljana where they usually hanged out after work. And Tina decided to join them, since a glass of premium wine would be a welcome distraction from all unanswered questions. She locked them in the office, at least till next Monday.

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DESTINATION BRANDING THE CASE OF BELGRADE - A FRIENDLY EUROPEAN CITY

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Abstract: *This paper investigates the perception of Belgrade from perspective of people living in Serbia. The results show that promotion has not been as successful as hoped, and that Belgrade is still not seen as a modern city among the respondents. Quantitative survey has been applied with 458 respondents. The findings have identified Belgrade as the European city with three main characteristics: friendly, exciting and hedonistic city. Furthermore, positive and negative aspects of the city have been explored. Based on the results, we recommend framework for future development of destination brand identity. This study should contribute to researchers and practitioners working in the field of city destination branding.*

Keywords: *Belgrade, destination branding, residential perspective, friendly city, Europe.*

1. INTRODUCTION

There is a growing interest of exploring the nature and meaning of branding destination among practitioners and academics. The competitiveness among cities will increase in the future and brand experts should understand how to transform knowledge about corporate or product branding into place branding. (Ashworth and Kavaratzis, 2009). Recent studies have identified that the well-being and satisfaction of different stakeholders (residents, government, visitors, investors, entrepreneurs and media) have strong influence on the image of a city or place in general. (Riza et al., 2012; Baker and Cameron, 2008; Damnjanovic et al., 2009).

However, local people may be an important factor when distinguishing and selling a city as a destination brand. According to (Freire, 2009) local people or residents of the place are the crucial element of destination brand identity. Recent study by (Merrilees et al., 2012) also underlined residents as important stakeholders in the branding context, since residents perceive the city brand as a place to live. Moreover, local people may also be important providers of word-of-mouth promotion and place branding externally to visitors perception (Garrod et al., 2012).

Only few studies have examined the city branding of Belgrade. They are two strategies developed by city authorities, which support development of tourist strategy for Belgrade city in 2008 and 2011 (Eric et al., 2008; Vasovic and Alimpic, 2011). Previous study by (Bursac, 2006) has examined the brand identity of Belgrade among three respondents group: residents, visitors and city representatives. However, further investigation is needed in order to understand brand identity and brand image of city of Belgrade that will be a starting point for an improved brand positioning in the future.

2. SCOPE

Belgrade is described as a vibrant metropolis of 1.6 million residents situated in Southeastern Europe, on the Balkan Peninsula. The city is located at the confluence of two large rivers – the Danube and the Sava. It is the third largest city on the Danube (after Vienna and Budapest) and the fourth largest city in Southeastern Europe (after Istanbul, Athens and Bucharest) (Hirt, 2009).

Belgrade has received many interesting international awards that prove its potential as an attractive tourist destination. In March 2006, Financial Times declared Belgrade the “City of the Future in Southern Europe”, which was the outcome of the competition for foreign and direct investments (Stupar and Hamamcioglu, 2006). Moreover, in 2011 and 2012, Belgrade was promoted as one of the top ten travel destinations on Earth according to famous online tourist guide Lonely Planet, with the following explanation: “It is an interesting city that's full of hedonism, passion and finesse”. Recently, at the Summit of city leaders held in Dublin in July 2012, Belgrade was awarded a prize in the category of "Best Cities", and Belgrade The city mayor at the time, Dragan Djilas, received Manager of the Year Award by Europe Business Assembly.

This study aims at explaining the current Belgrade brand identity and image from citizens‟ perspective and provide directions of destination branding strategy. In particular, it is about the way Belgrade should be marketed in the future and what it will be able to offer to the internal and external stakeholders.

The three main research questions of this study are as follows: What are the main elements of the current brand identity of the city of Belgrade from residents‟ perspective? What are the positive and the negative brand associations regarding Belgrade? How can we apply obtained knowledge to Belgrade‟s promotional message in the future?

3. METHODOLOGY

Quantitative research was undertaken in June 2012 with a range of 458 local people. A questionnaire was created based on previous studies about destination branding (Oliver, 2005; Popesku et al., 2010). The survey was published and distributed electronically to residents in order to identify and analyze their attitudes and opinions about the city of Belgrade. The questionnaire was initially face-to-face tested among 20 participants, and after being modified, it was sent to several mailing lists and social networks. The form was composed of general questions regarding age, sex, and occupation, as well as statements related to city branding aspects. A number of questions was based on a five-point Likert scale with respect to the level of agreement with the stated characteristics of Belgrade, along with two open-ended questions asking respondents to provide first impression for the word “Belgrade” and to suggest suitable communication slogan for Belgrade as a tourism destination. Obtained data were analyzed using SPSS 17.0 statistical software. The study also included qualitative research methodology using summative content analysis which involves counting and comparisons, usually of keywords or content, followed by the interpretation of the underlying context.

4. ANALYSIS AND RESULTS

The aim of the survey was to explore and identify brand identity of city of Belgrade from the perspective of its residents, Serbian people. Thus, our surveyed sample is consisted of 97% of citizens of the Republic of Serbia, with 72% of all respondents residing and 11% living temporarily/occasionally in Belgrade. Gathered pool consists of 273 female (60%) and 185 male (40%) respondents. Respondents were mostly students (67%), followed by employed (25%) and unemployed people (5%).

Several aspects of Belgrade were analyzed: geographical level of familiarity with Belgrade, main characteristic of the city, positive and negative attributes regarding living, doing business, infrastructure, culture, economy, and leisure, as well as first associations when hearing the word “Belgrade”.

Results show that Belgrade is known regionally, in Europe (81% of respondents), while 13% of the surveyed people claim that people outside of Europe, around the globe, are also familiar with Belgrade and its key values and characteristics. This distribution should be carefully considered, since Belgrade, as the capital of Serbia, should be famous worldwide.

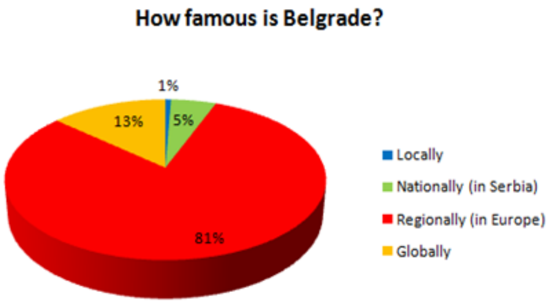

Figure 1. Level of familiarity with Belgrade

As for the main characteristic of the city, 33% of respondents stated that Belgrade is a friendly city. Next most frequent choices were exciting city (26%), hedonistic city (17%) and perspective city (13%). What is interesting is that two fewest chosen features are related to the aspects of modernity and safety of the city of Belgrade.

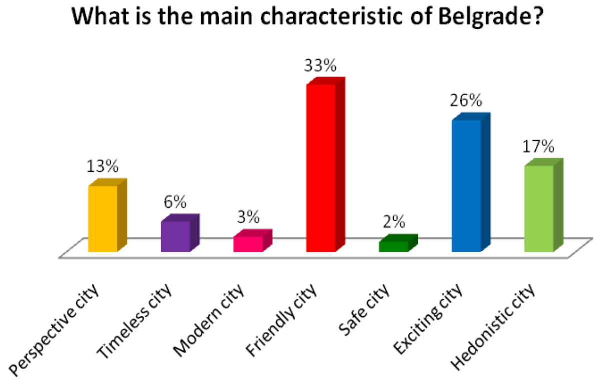

Figure 2. Main characteristics of Belgrade

Word association has been used in marketing to ensure that proper message is conveyed by names or adjectives used in promoting products. Therefore, the purpose of this type of question was to identify the main experience, through first word association test, of Belgrade among its residents. This question was open-ended and obtained answers were categorized in certain groups according to similarity among them. The most frequent answers (18%) were related to *"capital, metropolis, big city"* group. Having in mind the fact that Belgrade is one of the largest cities in Southeastern Europe and the main regional center in the Balkans, this answer is completely expected. It is not surprising that significant percentage (16%) of respondents answered that their first association belongs to the group of words *"my city, home, friends and family"*, since they either live or have spent time in Belgrade and thus, experience Belgrade as their hometown. Some authors (Tadic, 2010) claim that Belgrade‟s nightlife has spontaneously become the city brand, and evidential group of respondents (13,5%) is consentaneous with it. Having in mind that Belgrade is located at the confluence of two large rivers - the Danube and the Sava, and that many happenings take place on the rivers or by their side, a quite frequent (11%) answer *"rivers"* is not surprising. Eventually, a group of answers *"Kalemegdan, Pobednik"* was also common (10%). What is noteworthy is that in (Bursac, 2006), citizens also declared Kalemegdan fortress, Knez Mihailova Street, Republic Square, Skadarlija Street and confluence of the Sava and the Danube to be the most representative places in Belgrade.

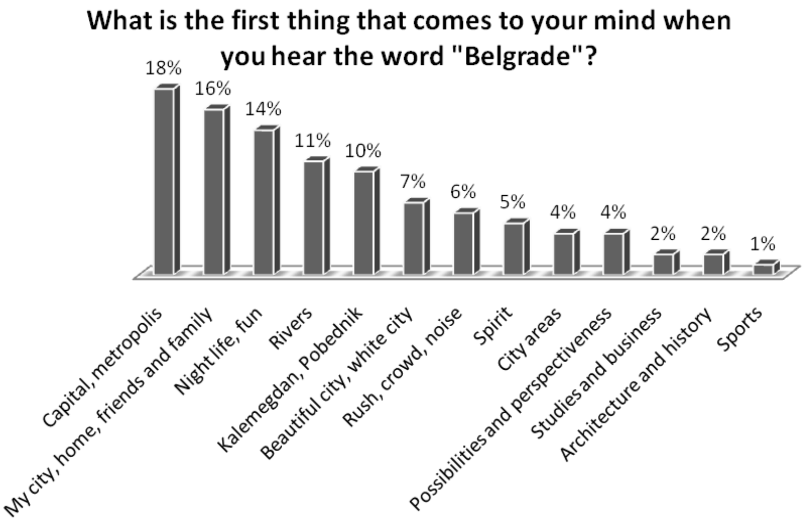

Figure 3. Brand perception of Belgrade

Summing up and analyzing all statements about Belgrade, conclusion about positive and negative elements has been created using summative content analysis. Namely, Belgrade has a lot to offer (European city, desirable tourist destination, hedonistic way of life and warm and friendly local people). Nevertheless, it is a metropolis and hence, has certain adverse aspects (inadequate promotion, poor traffic system, low standard of living and unclean city). What is encouraging is that all detected negative characteristics can be amended if adequate branding strategy is developed.

Table 1. Positive and negative elements of Belgrade

NEGATIVE ASPECTS	POSITIVE ASPECTS
INADQUATE PROMOTION City authorities do not promote Belgrade in a good manner. Negative image in world media.	**EUROPEAN CITY** Well-connected to other European metropolis. Regional center.
POOR TRAFFIC SYSTEM Poor public transportation system. Traffic jams.	**DESIRABLE TOURIST DESTINATION** Offers unforgettable experience. Good place for living. Rich history. Visitors gladly come back.
LOW STANDARD OF LIVING Lower standard of living in comparison to other European capitals. Not a city of glamour.	**HEDONISTIC WAY OF LIVING** Diversified fun content. Great nightlife. Tasty food and drinks. Good shopping and wellness.
UNCLEAN CITY Polluted city. Unclean and poorly maintained city.	**WARM AND FRIENDLY LOCAL PEOPLE** Pleasant and hospitable citizens. Citizens are proud of their Belgrade. City of future. City of youth.

5. TARGET CUSTOMERS

It is important to understand target customers from foreign countries who have visited Belgrade in order to create better image of the city in the future. According to the latest data from Belgrade Institute of Information and Statistics, annual turnover in 2013 was increased by 13% (put in numbers, 638.179 visitors), comparing to the 2012. Domestic tourists are up by 4% (120.778 visitors), and foreign visitors by 15% (517.401 visitors). Total number of overnights in 2013 is 1.409.037, which is an increase by 5% comparing to the results in 2012. Overnights of foreign tourists (1.016.739) is increased by 11%. Most off the foreign visitors in 2011 came from Slovenia (74.674), Montenegro (66.636), Germany (48.159), Croatia (50.625), Bosnia and Herzegovina (65.960), Italy (38.105), Romania (30.628), Bulgaria (28.054), Greece (26.400), Austria (25.245), Russia (25.236), Poland (21.548) and Turkey (19.196). In December 2013, number of foreign tourists has increased by 24% (40.889), comparing to December 2012. Number of overnights is up by 6%, comparing to same period last year (86.122), and overnights of foreign tourists is up by 15%. The most numerous visitors came from Slovenia, Croatia, Bulgaria, Bosnia and Herzegovina and Germany. According to the information from Belgrade Institute of Information and Statistic in 2013, the rising markets are Turkey (increase by 72%), Greece (increase by 36%), Russia (increase by 32%), Bulgaria (increase by 28%) and Poland (increase by 21%), which further create the initial pool of target customers for the future.

6. LIMITATIONS AND FURTHER RESEARCH

When interpreting the results of this study, a number of limitations must be considered. To start with, it is only focused on citizens, mostly on young people. Thus, results provide perception of residents as one target group that is considering destination branding. Further research should be directed on investigating different target groups, examples being visitors and city representatives, since it will create valuable comparative analysis when identifying the brand identity and image of the city of Belgrade.

7. CONCLUSION

Throughout the paper the best necessary potentials of the city‟s identity and city‟s branding creation were investigated in order to understand what residents‟ perspective about city of Belgrade is like. Thus, both positive (European city, desirable tourist destination, hedonistic way of life and warm and friendly local people) and negative (inadequate promotion, poor traffic system, low standard of living and unclean city) elements of brand identity were identified. Belgrade possesses rich historical and cultural heritage, favorable geographical position, hospitable citizens and a lot of potential for a successful brand image. Kalemegdan fortress and Pobednik monument are among the top attractions of the city of Belgrade, as well as rivers and several more sights. Residents believe that the exciting nightlife, so called "spontaneous brand of Belgrade", is still among the best-known characteristics of Belgrade.

Vision of Belgrade identity (a.k.a. desired brand image) is showing positive city identity with integrated marketing communication strategy of the product destination portfolio (see Figure 4). What is valuable in these results is that positive elements could be used in future communication with external stakeholders and target groups. Nonetheless, adequate communication strategy and product destination portfolio towards interested parties should be developed in order to improve current brand image of the city. In that sense, it would be interesting to create portfolio offers that are customized for specific target groups, i.e. foreign tourists, diaspora, investors and media. We propose the city branding framework for long-term strategy that is to be further developed in the future studies. Our framework for city branding was created following the previous research study (Balakrishnan, 2008), which includes strategic destination branding model. More precisely, the author analyzed the creation of the country image for Dubai, a star in the east, and used the feedback for the improvement of the destination branding identity.

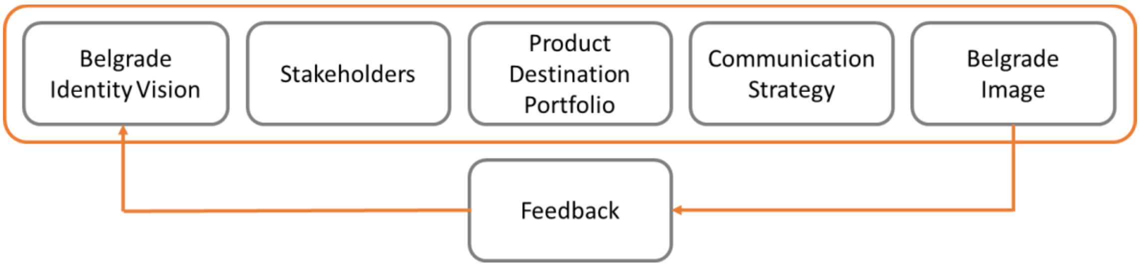

Figure 4. City branding framework for Belgrade

Furthermore, this research identifies inputs and necessities for developing branding strategy of the city of Belgrade, with an important emphasis on the inclusion of the perspectives of all stakeholders. Overall suggestion for the improvement of the current identity of the city of Belgrade is to establish a cooperation between city authorities on one side, and independent marketing and branding consultants on the other side. This setting would enable smooth definition of the key city identity elements, as well as creation and implementation of the adequate branding strategy based on the future vision of all city stakeholders. Our findings support the perspective that city branding should convey both the intention of city authorities and the experience of people (Zhang and Zhao, 2009). Based on the observations of the study, authorities of the city of Belgrade should provide a proper branding of this impressive city, as a friendly European city, with an aim of including the attitudes and beliefs of its residents, and exceeding the expectations of its visitors and other stakeholders.

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THE ROAD TO SUCCESS: WHAT SHOULD AUTOGARANT DO?

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Abstract: *Purpose of this paper is to inspire students and all other interested parties to think strategically and try to find best possible ways to restructure and improve business of a company, on the example of Serbian mid-size enterprise. Autogarant Ltd. was established in 1992, and after 22 years of successful business is official car dealer for 9 vehicle brands, has over 50 employees, 3 modern car showrooms and service workshops equipped with state of the art technology. Now, the company seeks for a new ways to strengthen existing business and form new business pillars in order to secure stable future growth.*

Keywords*: Automotive industry, new business pillars, strategy, improving sales performance, vehicles*

1. INTRODUCTION

In 1992 entrepreneur from Čačak decided to open a car service workshop in his hometown. He hoped that sometime in the future, that same car service workshop will emerge from small workshop to serious company in the area of automotive industry. After 22 years, that is exactly what Autogarant stands for - modern automobile retail center which includes retail showrooms and various workshops and other business units that are needed in order to provide top quality after sales services to end customers, with over 50 employees. With clear vision and great business decisions directed to growth and development, mainly through dealership contracts, Autogarant represents successful medium sized company with annual turnover of over 5,000,000€ and annual profit of over 100,000€.

However, if he wishes to continue with this steady growth and taking into account that primary activity of Autogarant is car sales and car dealership, it is necessary to devise a business strategy that will adequately mitigate and take advantage of decline in new cars sales. This negative trend of sales volume is not noticed only on Serbian market, but also throughout European car markets. Situation in automobile industry is far from ideal both for manufacturers and car dealers, so new strategies for adapting to existing trends are needed. Beside car market negative trends, emerging local competition and increased differentiation among buyers are also influential external factors that should be taken in consideration. With turbulent environment and limited resources, Autogarant must come up with an effective long-term business strategy which will bring more new clients or even markets, increase turnover and profit and, eventually, ensure the leader`s position for the company.

Question that arises for owner and GM of Autogarant is - how to increase the sales of existing portfolio (9 car brands) and which target groups should we focus in our marketing activities? On the other hand, is it possible to expand the scope of business and enter some new markets which company currently does not operate and how?

2. ABOUT COMPANY

Autogarant Ltd. was established in 1992, as a small car workshop for repairing all types of cars. This family business was successful since its foundation and was trying to constantly improve itself since the beginning. First major business expansion was becoming official car dealership for Fiat and Lancia cars in the territory of Western Serbia, after signing contract with Delta Automoto Ltd. After just two years, Autogarant Ltd. has become a leader in sales of new Fiat vehicles in this market, and maintained that position until today. In 2004 new car showrooms for Fiat and Lancia vehicles were opened. That same year the company has become official car dealer for Alfa Romeo vehicles.

Within the new business centre there is a showroom, service workshop, unit for painting works, spare parts store, car wash unit, and tire workshop for all the vehicles within the Fiat Group.

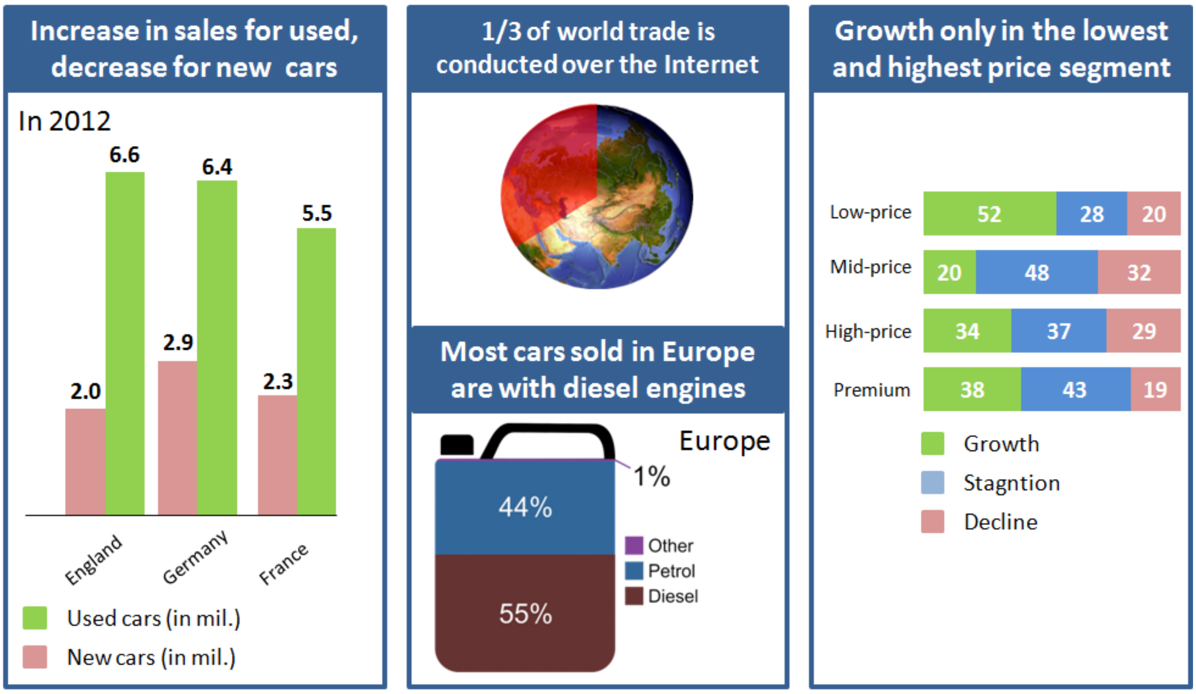
During 2007, new retail canter (showroom) was opened – Autogarant HONDA. After becoming official dealer of Honda cars, company continuously achieved remarkable results in the Western Serbia market.

All retail centres and business units are equipped with the state of the art technology, equipment and computer devices in order to provide high quality sales, and after sales services to the clients. In 2007 and 2008 there were significant improvements of after sales services. During 2009 Autogarant Ltd. has become official dealer for BMW and MINI vehicles. After this step vehicles portfolio was significantly increased, especially after dealerships for Dodge, Chrysler and Jeep vehicles were opened in 2012.

Summed up in a nutshell Autogarant Ltd. today is official car dealer for 9 car brands, it has 50 employees, 3 modern car showrooms, and several service workshops equipped with state of the art technology.

3. VEHICLE MARKETS OVERVIEW AND TRENDS

In this section we will look at the automotive industry of Europe, but also our country (Serbia) and comment some of the trends that we thought are interesting.



Source: European Automotive Survey 2013 – Earnst &Young; The European Used Car Market Report 2012 - BCA

Figure 1: Trends in Europe

As it is illustrated on the graphs above, on the three biggest markets in Europe, number of used vehicles sales significantly higher than the new vehicles sales. The predictions are that this trend will continue and that difference will be even higher in the years to come. As a result, car producers and dealers are suffering crisis and are constantly trying to adapt to these trends and prevent further drop in sales.

Some of the measures taken by them are: lowering production costs, technologies innovation (new materials, motors with lower fuel consumption, lower CO_2 emission), they are using opportunities provided by government legislations concerning ecology, investing into promotional activities etc.

Interesting fact is that the largest number of vehicles sold on the European market has diesel engines. This is data that greatly differs from other markets, for example in Japan in 2012, less than 1% of vehicles sold have diesel engines (ICCT, 2013). Fact that should be taken into consideration is that one third of world trade is conducted over the internet.

As it can be seen on the graph above, largest growth is in low-price and premium car segments. This is very important data while defining product portfolio and marketing plans (Ernst and Young 2013).

As it is already said biggest growth in automotive industry is recorded in the segment of used cars. Regarding that we analyzed history of this segment since the year 2000.

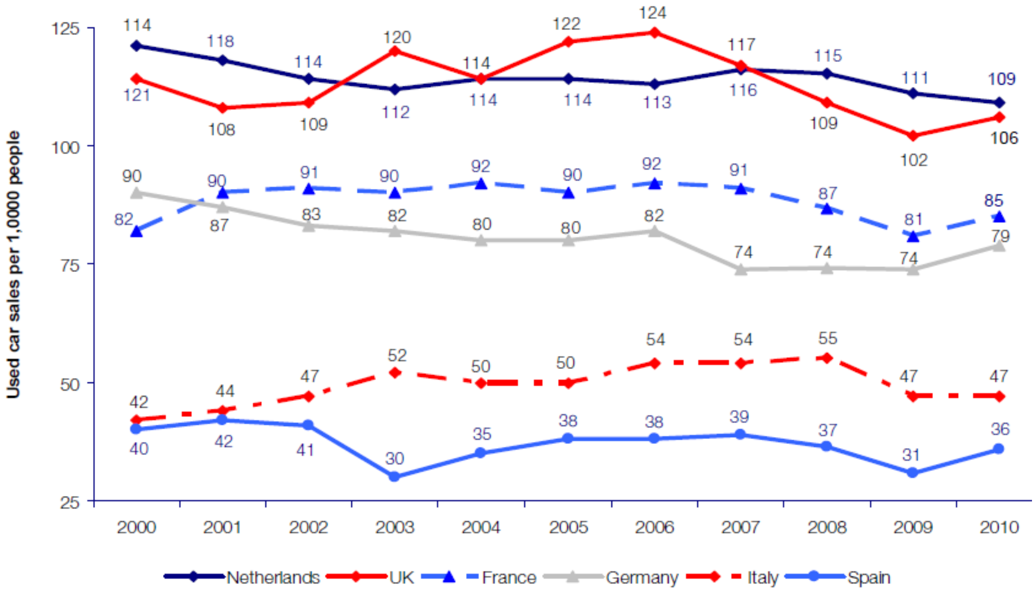


Figure 2: Used car sales per 1,000 people

On the graph above you can see used car sales per 1,000 people per year, in the largest European markets.

- France"s used car sales per 1,000 people rose from 82 to a peek of 92 in 2004 and again in 2006, dropping back to 85 per 1,000 people in 2010;
- Germany showed a steady drop in used car sales per 1,000 of the population, from 90 in 2000, to 74 in 2007 to 2009 – recovering 79 in 2010 as Germany"s used car volumes rose 420,000 units to 6.43 million last year;
- Italy, one of the „laggards", in terms of used car sales per 1,000, moved from 42 in 2000 to a healthier 55 by 2008, dropping back to 47 in 2009 and 2010 – less than half of the UK"s and Netherlands" performance for this key indicator.
- Spain"s used car sales per 1,000 people has fluctuated over the past 10 years, reaching low of 30 and 31 in 2003 and 2009 respectively – recovering to 36 in 2010 as used car volumes rose by 250,000 units. Nevertheless, Spain remains firmly at the foot of the EU 15 used car sales per 1,000 people.
- The United Kingdom"s used car sales per 1,000 of the population fell from a high of 123 in 2006 to 102 in 2009 – recovering to 106 in 2010, narrowing the gap with the Netherlands which took over top spot for this indicator in 2007 (BCA, 2012).

Thing that can be drawn as a conclusion, is the fact that in all countries, number of used vehicles sold significantly decreased during the economic crisis that has hit the entire automotive industry. After recovery of the European economy, since 2009, and 2010 steady growth was recorded within all states, and continued in later years. As it is already mention, now we have a situation where the number of used vehicles sales significantly exceeds the number of new vehicles sales.

If we look at the Serbian used car market, all of the trends are in line with current trends in the European market. In 2012 ratio of used vehicles and new vehicles sales was 5:1 in favour of used vehicles. The reason for this is, among other things, reduced purchasing power of the end consumers.

Result of this is expansion of this type of trade, and consequently an increase in the number of retailers, which can be divided into three groups. On one side we have the classic traders (selling cars on their car lots), the car dealers (in addition to the business with the new cars, they perform import and sale of used cars), as well as individuals that are importing vehicles for their own use.

4. COMPETITION

On the new car market, competition in Serbia is very strong. Given that there are over 60 authorized dealers, in this section we will look at the most important ones. In the first place it should be noted competitors covering an area of Western Serbia in similar segment cars.

One such company is Autočačak Ltd. established in 1991. The company was initially engaged in the sale and servicing of cars and it is the first private company which during 90s had a signed contract for the sale and servicing of Zastava vehicles. Later, on May 7 in 1996 the company became the general distributor and importer of Škoda vehicles on the territory of former Yugoslavia and in the next nine years Autočačak sold approximately 25 000 cars. The company still records significant sales of Škoda cars and represents Autogarant"s biggest competitor.

Another competitor is the Auto Centre Manik Ltd. which also has its headquarters in Čačak. AC Manik - ACM Ltd. is an authorized dealer and service centre for Audi vehicles. In addition to selling all models of Audi program, the company owns and service vehicles, and is well equipped with the latest technology and qualified staff. In addition to selling new vehicles, the company also sells used vehicles which give them a significant competitive advantage.

Next is Jevtović Ltd. an authorized dealer and service provider for Mercedes-Benz and Mitsubishi Fuso vehicle. This company has the most modern facilities and equipment for servicing vehicles in western Serbia and this represents their primary business. Because of the high quality service facilities and brands in portfolio, also represents an influential competition to Autogarant.

In addition to regional competitors, there are car dealers from all over Serbia, which represent significant direct competition when it comes to new car sales. On the other hand, as can be seen from the previous section, even more significant competition (although indirect) are the sellers of used cars, a lucrative segment which records significant growth on European car markets.

5. TARGET GROUP PROFILES AND DESCRIPTIONS

At first, B2B (A.) and B2C (B.) segments are separated, and further segmentation within these segment is applied in order to identify generic target groups.

A. Business to business segment:

1. Managers choice – includes management of successful international big and medium sized companies which operates on territory of Serbia. They search for quality, prestigious and premium price company"s vehicles. Management and GMs belong to the upper class and perceive car as status symbols and want to make a good impression, both within the company and externally, when interacting with business partners. Further these companies highly appreciate the quality and brand of the car, and their fleet must properly communicate and represent the values of the company. Furthermore, companies that belong to this segment usually have a clearly defined communication strategy that also prescribes the image of the company"s fleet for management .This is the premium segment, which means it is willing to set aside more money for top quality. Therefore, in order to attract this B2B target group and differentiate our offer from the competitors, it is necessary to propose certain benefits and after sales content. Company cars are used on a daily basis (trips to work, meetings, and business trips), so in addition to attractive terms of sale, both comfort and performance of the vehicle should also be emphasized.

Key values: status, top quality, brand

2. Salesman staff choice – also includes big and medium sized companies, but they need vehicles for operational staff, not management, usually employed in the sales or distribution sectors. The staff of the company needs practical and economical vehicles for performing basis activities. These companies mainly have already established and developed distribution network, which require a lot of fieldwork. Therefore, an employee of the company most of his working time spends in the company"s vehicle and has high daily transport mileage (such as staff employed in sales, supervisors, etc.). It means that besides price, as the main purchasing factor, fuel consumption, maintenance costs and warranty period represents also important factors. Further it is crucial to offer reliable cars with the right ratio of price and quality and to achieve a long-term cooperation by offering adequate after-sales services.

Key values: price, fuel consumption, warranty period

B. Business to consumers segment:

1. Premium segment – employed individuals over 30 years old with high income (over 1000€ per month) who belong to upper middle and high class. They are willing to invest more money into purchase of a high quality car which will properly represent their status in society. Beside basic need or transportation, when purchasing new car, they also consider various needs such as need for possession of expensive goods or well-known car brands and emphasize their higher status in society. Similar to Managers choice segment, this segment also perceives car as a sign of prestige.

Key values: status, high quality, premium price

2. Value segment – includes buyers who belong to middle class with average and above average income (from 400€ to 1000€). Their funds for purchasing new cars are limited, so for the money they tend to invest in car purchase, they seek to maximize the value they get, in return. This segment is extremely price-sensitive, thus price represents the primary criteria for purchasing vehicle. Beside price, low fuel consumption and low maintenance costs are also highly appreciated.

Key values: price, fuel consumption, maintenance costs

3. Family segment – includes employed married couples with small and underage children which look for practical and economical vehicles. Car is usually used in variety of purposes, from the daily commute during weekdays, the longer journeys during weekends and transport of the children. Therefore family segment particularly regards vehicles that are safe, comfortable (with usually five doors), spacious, and multifunctional, but also economical in terms of price and fuel consumption. They are also interested in accessories, such as additional safety gear like parking cameras, sensors, and locking system.

Key values: safety, comfort, practicality

4. Urban segment – mainly represented by younger population up to 45 years, which live in big cities and very often use cars urban environment where availability of parking spots is always an issue. Therefore, they look for small (usually 3 doors) and modern vehicles with low fuel consumption, suitable for everyday town rides and in price range of the given class. Beside this, we may further differentiate buyers which values characteristics and accessories such as attractive design and "green" technologies (eco-friendly technology such as reduced CO_2 emission, engine modes for fuel saving etc.). This segment also includes youth population up to 25 years, who usually do not possess enough funds, so it is the parents who buy them cars. Further, beside price they also consider and appreciate customization options (if existing, like unique paint jobs, loud audio systems and other characteristics that will attract attention and make them stand from the crowd). Finally, they follow trends and they are not loyal to one particular brand and prefer to experiment with car brands.

Key values: practicality, design, accessories

5. Off-road segment – a specific niche market embodied through drivers who use car in special conditions and surroundings such as rural and off-road drive. They want strong, durable and safe vehicles which can be relied on and adapt to any weather or terrain unfavourable conditions. Cars must have excellent performances, to be safe and well equipped with additional gears for every kind of situations. Beside transportation need, these buyers also love to enjoy the feeling of ride and to test the limits of their cars.

Key values: performance, safety, accessories

6. TASKS

Based on the data given in the case study it is necessary to provide answers on following questions. Do not forget that the point of the case is to apply strategic thinking on Autogarant Ltd. possible future actions and not on the company‟s analysis.

1. How to improve the business performance and sales volume of new cars (existing portfolio)?
    a. Which strategy would you propose to Autogarant owner and GM?
    b. Taking into account identified target groups (section 4), create a marketing strategy for the chosen target groups (choose one or more, it is up to you) for whom you think has a biggest potential.

2. Which new segments/markets would you recommend to Autogarant to enter in order to create new business pillars?
    a. Which strategy would you use when it comes to penetrating new segments/markets? Explain the strategy and necessary prerequisites for implementing the chosen strategy?

The accent is on your ideas, so feel free to propose creative but also realistic strategies. Every answer must have valid arguments and chosen strategies must aim to upgrade Autogarant position on market and bring additional profit to company.

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CREATIVE MARKETING STRATEGIES H&M VS ZARA

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Apstract: *We live in a time when globalization is an inevitable process. Globalization is characterized by a high degree of complexity. With a population of enterprises is relevant strategic approach to globalization of business. We talk about the highly integrated and electronically networked global economic system. Due to the fact that the international division of labor is becoming a central determinant of future economic development of each country, the knowledge in the field of international marketing are becoming a necessity in every business organization on the global market. Globalism, viewed as a business philosophy, based on an integrated, standardized system where people buy, sell, and share common products, services and ideas .*

Keywords: *strategic marketing, brand, finance, competition, Zara, H&M*

1.INTRODUCTION

Fashion is more than just a designer's whim. Fashion is a reflection of a given time, socially, politically, economically, and artistically. The changing styles show just as much about history and the time period as any history book. It reflects on what people think, what they valued and how they lived. Fashion is a statement, a way of living. Fashion is used in different ways such as clothing, culture, religions etc. (Wikipedia, 2013.)

The fashion industry is now one of the biggest industries in the world.The world clothing and textile industry (clothing, textiles, footwear and luxury goods) reached almost $2,560 trillion.

- The world childrens wear market is expected to reach beyond $186 billion in 2014, marking a 15 percent increase in five years.
- The world bridal wear market is expected to reach almost $57 billion by 2015.
- The world mens wear industry should exceed $402 billion in 2014.
- The world womens wear industry is expected to pass $621 billion in 2014.

American households spend, on average, $1,700 on apparel, footwear, and related products and services. In addition, a large number of people (4,2milion people) are employed in the fashion industry, the majority of the population, fashion is one of the hobbies and areas of interest.

2. STRATEGIC MARKETING

Strategic marketing is the process by which managers formulate and implement marketing strategies, in order to achieve the goals set in the given environmental conditions and the company .To marketing managers develop marketing strategies and manage them, according to (Filipovic V., Janicic R., 2010) they must concentrate on several marketing tasks including:

- Analysis of market opportunities and constraints;
- The choice of target markets;
- Development of the marketing mix;
- Analysis of internal factors, strengths and weaknesses of marketing and the company as a whole.

2.1. THE PROCESS OF STRATEGIC MARKETING

Strategic marketing involves the decisions and actions that are the result of :

a) analysis of the current situation;
b) development of new strategies or modifications to existing ones;
c) elaboration of the program of action for their implementation;

d) evaluate the effects of application .

2.2. MARKETING STRATEGIES FOR THE FASHION INDUSTRY

Fashion marketing techniques apply many of the same marketing strategies that large and small businesses use. Fashion marketing includes market research, advertising and promotion. Research gathers information about the market for a particular brand or product. Advertising helps generate sales, and promotion increases brand or product awareness.

Fashion marketing strategies based on the Internet:

Fashion Blogs

A big part of the online community includes blogs and social networks.

Online advertising

These strategies include creating online versions of printed magazines, banner ads, photos and articles about the brand.

Online interactive fashion show

It is possible to organize a series of small interactive show, with a series of image model where viewers can click on the picture to see more information about the layout, or even buy the product.

Marketing strategies fashion shows

Fashion show - organizing fashion shows is a classic marketing strategies in fashion, which provides a formal presentation of the production program selected public.

Press Release - fashion managers use the press release for publication of certain activities of a given brand. Statement delivered by the media and is one of the classic ways of informing the public about the intentions of the company.

Digital Media – They are used for research and promotion. The amount of information available to research pertaining to, and the possibility of two-way communication is the main advantage of using this strategy for promotion .

Product placement - This strategy involves techniques where the fashion products of a given brand promoted through television programs, broadcast and film or engaging public figures.

The choice of brand ambassador - Present influential people in the targeted group of potential customers who participate in the popularization of fashion products (David, F. (2013).

2.3. CREATIVE FASHION MARKETING STRATEGY

Viral marketing - viral marketing strategy in the fashion industry can be very effective, due to the effect of trust in the user that is advertising .

Guerrilla artwork - This is a strategy that includes the recent collaboration with artists in the creation of murals, graffiti and similar examples of street art, which the company addresses the street culture of their customers.

Strategy word-of-mouth - relies on effective communication brand values and beliefs of the company, which must be clearly communicated and accepted by the company to be properly transferred to customers.

3. H&M

In 1946 the company's founder Erling Persson was on a trip to the United States and came up with the business idea of offering fashionable clothing at attractive prices. In 1947 he opened his first shop Västerås, Sweden "Hennes", which exclusively sold women's clothing. "Hennes" is Swedish and means "for her" and/or "hers". In 1968 the hunting apparel retailer MauritzWidforss was acquired, which led to the inclusion of a menswear collection in the product range and the name change to "Hennes&Mauritz" (H&M). H & M Hennes&Mauritz AB comprises six independent brands: H&M, COS, Monki, Weekday, Cheap Monday and & Other Stories.

H&M is are tail that is looking to provide consumers with fashionable, high-quality clothing at the best price possible. They offer “fast-fashion”clothing, in other words from runway tracks in record time, and sell Europeanin fluenced clothing in the American market. Additionally, H&M carries clothing in avariety of categories including women‟s casual, men‟s business, children‟s wear, footwear and accessoriesThe company is the second largest clothing retailer in the world, and actively engages in E- retailing. H&M is also economically, socially, and environmentally sustainable (H&M, 2014).

3.1. H&M PERFORMANSE

Financials

The revenue chart started in 2004 at about $10 million, and has risen to about $16 million in 2008. Their profit margin dropped significantly from about 14.7% in 2004 to about 12.9% in 2005. Each year after that, the profit margin in creased again and is basically stabilized again at about 14.7% in 2008. From 2009 when the profit was $118 million, they increased the profit at $150 million in 2013.
H&M‟s growth target is to increase the number of stores by 10–15 percent per year, and at the same time increase sales in comparable units.

Recent Expansions

H&M had started theirglobal expansions earlierthan Zara, so theyhavehad alonger time period ofsuccess in the performancearea. An articlein Business Week (2002) states that in theirfirst attempt at international expansion, H&M opened astorein London in 1976.When this article was written in 2002, H&M was leading the market versus its major competitors, Gap and Zara. According to the author, (Capell.K, Khermouch.G (2002) HIP H&m Business Week,(3807) 106-110), by the end of 2002, the company had plans to increase their number of stores to 844, which would have been an increase of almost 75% from 1996-2002. H&M opened 190 new stores in 2005, 2,325 stores at the end of 2011 and 2,629 stores at the end of August 2012, 2014 there are 3,200 stores in 54 countries.

The strong pace of expansion continues into 2014 with a planned 375 new stores net. The highest rate of expansion will be in China and the US. There is also great potential for expansion in other markets such as Russia, Germany, Italy and Poland.

Online expansion

H&M‟s shop online is available in 10 European markets and the US. The easily navigated digital store is fully mobile-adapted since January 2013 and already very popular with our customers. Roll-out of shop online to other markets of the H&M Group will follow.
COS, Monki, Weekday and Cheap Monday offer sales online in 18 European markets while & Other Stories is available online in 10 European markets.
The online market is constantly growing and mobile shopping through the use of smart phones and tablets has become increasingly common. 64% of consumers are interested in scanning products with smart phones to get more information while 76% of consumers are interested in instant offers via smart phones for things they were already looking for. Additionally, popular mobile apps include mobile coupons, store information, mobile self-checkout and digital receipts.

Current Marketing Strategy-H&M

Current strategies that H&M are marketing to its consumer are thro ughamobile marketing campaign to promote the latest collection. In doing this mobile marketing strategy consumers receive SMS coupons, mobilebannerads placed on major portals and media sites.
To help gain customer traffic in the storeH&M has also used celebrities such as Karl Lagerfeld, Roberto Cavalli, ReiKawakubo, and Jimmy Choo to help increase sales. One of the major ad topics that H&M may market is the Fashion Against Aids campaign. The specific collection featured t-shirts, tank tops, and hoodeds weaters designed by Designers Against AIDS (DAA) and by several music artists including Rihanna, Timbaland, and Ziggy Marley. Nearly 25% of the sales from this collection went to HIV/AIDS prevention projects (Wikipedia, 2013).

Introduction

Zara‟s history begins with the owner company, The Inditex Group.Inditex Group is a large company based out of Spainrunning around one hundred stores dealing with textile design. Inditex operates over 4,350 stores worldwide with brands like Massimo Dutti, Bershka, Oysho, Pulland Bear, Zara, ZaraHome, Uterque, and Stradivarius (Zara,2014).

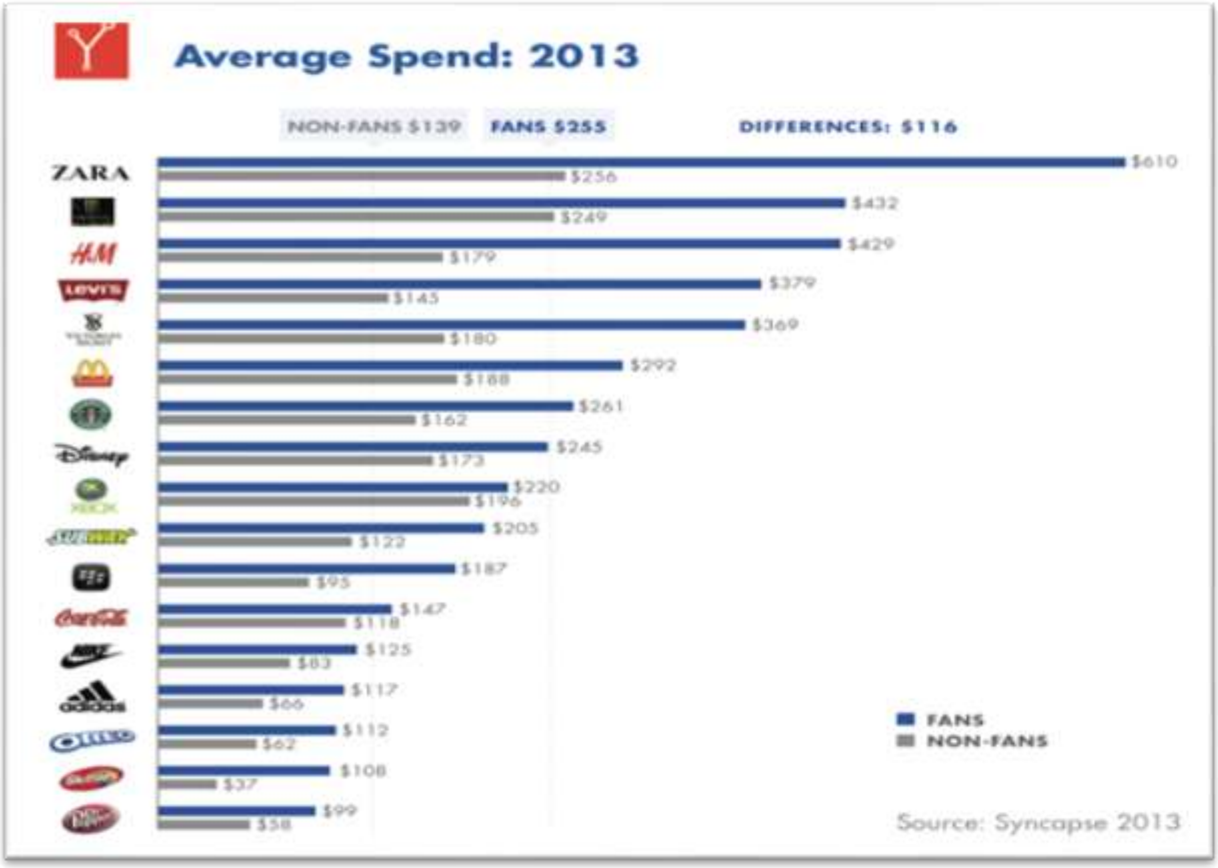
The company was found in the year 1963 by Amanico Ortega Gaona and by the year 2005 its holding group Inditex became world's fastest growing manufacturer of fashion clothing that was both affordable and trendy. It has over 2000 stores all over the world and plans to make that number double by the year 2011. The success story of Zara is based upon its business strategy that fostered creativity, innovation and flexibility in its business model and that is what differentiated Zara from it competitors and provided it with an edge and competitive advantage both at a local as well as at an international level. The very first shop of Zara was opened in the year 1975 in the city of Spain which is to date the home and central location to its headquarters.

3.2. ZARA PERFORMANCE

Financials

As Zara emerged from the company Inditex, this report includes some financials about Inditex. Their revenues started in 2004 with about $8 million and steadily roseto about$15 million in 2008. Inditex‟s profit margin started off somewhat low in 2004 at 11.6%, and peaked in 2007 at 13.3%. In 2008, their profit margin is back down at 12.1%. In 2013, Inditex‟s sales rose by 4.9% from the previous year to 16.72 billion euros ($23 billion), said Spanish textile titan Inditex, owner of global fashion brand Zara, Amancio Ortega.

Asia accounted for 20.4 percent of the company‟s sales, overtaking its domestic market Spain at 19.7 percent, where consumer spending has plunged due to a double-dip recession that has left one in four people out of work. But despite stressing “strict control of operating expenses,” Inditex said business costs rose as it coped with a net 331 new store openings and higher sales in the year. Net profits edged up by 0.6% from the previous year to 2.38 billion euros in 2013 (Capell,K. (2008)



Recent Expansions

Zara‟s parent company,Inditex, opened 448 new stores in 2005, By 2010, their global total was expected to bealmost 5,000 stores. The group boasted a worldwide empire of 6,340 stores in 87 markets at the

end of its 2013 business year,Zara now operates in 86 countries across the globe, in every continent, with total of 1,770 stores.
As one of the leading brands in the fashion industry, company profitability and growth is of course important. At the beginning of 2013, Inditex reported a 22% increase in their earnings as they expanded in many emerging markets such as China, India, and Indonesia as well as the online retail.
So far in 2006,Zarahas expanded cautiouslyin the United States, with only19 stores. At 2013 they include only 45 US stores. Meanwhile, their biggest competitor, H&M, has 91 stores in the US, which is still cautious (Zara, 2014).

Online Expansion

As the world is now becoming digital, many marketers initiate the digital marketing campaign. Many companies now engage actively to promote their products on social media like Facebook, Twitter, YouTube, or Instagram. Not wanting to be a laggard, Zara also created its own Facebook page, Twitter account, YouTube, and also Instagram accounts. More than 16 million people ―like‖ Zara„s FB page and more than 300 hundred people followed Zara on Twitter, thousands of people also subscribed to Zara„s channel on YouTube. Unfortunately, it is not enough. Despite its availability on social media, Zara is not utilizing using these social media to do advertisements; therefore, these accounts are not really productive or useful for the company (Ghemawat, P., Nueno, J. L. (2012).

Current marketing strategy ZARA

The company„s vision as stated on the website:

"Zara is committed to satisfying the desires of our customers. As a result we pledge to continuously innovate our business to improve your experience. We promise to provide new designs made from quality materials that are affordable".

Long-term Objectives
The company states on their website the following as their objectives in the long-term:

1.Save energy, the eco-friendly store:
They are implementing an eco-friendly management model in their shops in orderto reduce energy consumption by 20%, introducing sustainability and efficiency criteria. This management model sets out measures to be applied to all processes, includingthe design of the shop itself, the lighting, heating and cooling systems and the possibility of recycling furniture and decoration.

2.Produce less waste and recycle:
Zara recycles their hangers and alarms, which are picked up from their shops and processed in to other plastic elements. This is an example of their waste management policy. Millions of hangers and alarms are processed each year and both the cardboard and plastic used for packaging are also recycled.

3.Their commitment extends to all their staff, increasing awareness among the team members:
The Company holds In-company awareness campaigns and specific multimedia-based training programs to educate their staff in sustainable practices, such as limiting energy consumption, using sustainable transport and modifying behavior patterns.

4.Use ecological fabrics, organic cotton:
Zara supports organic farming and makes some of its garments out of organic cotton(100% cotton, completely free of pesticides, chemicals and bleach). They have specific labels and are easy to spot in the shops.

5. Use biodiesel fuel:
Zara„s fleet of lorries, which transport more than 200 million items of clothing a year, use 5% biodiesel fuel. This allows them to reduce their CO emissions by 500 tons. We can see from the objectives that Zara is aiming to be an environmental-friendly company. It is their top priority at least until the year 2020.

H&M SWOT Analysis

Strengths

- Leader in Global market (2nd)
- Affordable & high quality clothing
- Fast-fashion
- Throw-away fashion
- Strong presence in multiple markets (Women, Men,Kids…)
- Celebrity endorsements
- Strong social media presence
- Price does not effect quality
- Company website and blog

Weaknesses

- Brand awarenss of individual apparel brands sold in stores
- Fit is not consistent due to variety of manufacturers and supplies
- Customer service

Opportunities

- Promote current sustainability practices
- Increase word of mouth in both temale& male audiences
- Online market including social media
- Mobile Marketing

Threats

- Secondary competitors such as Express, Charlotte Rouse
- Primary competitors: Forever 21, Topshop, Urban Outfitters, Zara

Marketing mix

The 4Ps of H&M:

1.Product:
H&M‟s business concept is to offer fashion and quality at the best price. Quality also means that the products must be manufactured in a way that is environmentally and socially sustainable. All goods are labelled with their country of origin. Prints on H&M‟s goods shall not cause racial, sexual, political or religious offence.

2.Price:
The price strategy of H&M is designed based on their customers needs which is low price and high fashion. In fact, this is the one of the biggest challenges for H&M.
They combine fashion and cheapness by two steps: first, H&M outsources the production to countries where the labour cost is much lower. Second, the company also conduct strict cost control plan.

3.Place:
There are over 3200 H&M stores all over the world. The store is located in prime locations of the area with high concentration of visitors. Because the inventory for H&M is refreshed everyday (H&M, 2014), direct command is important for correct adjustment in more than 3200 stores. Besides stores, H&M starts to launch online sale in several areas. It was suggested that well-known fashion retailers have advantages of their brand to attract customers(Marciniak and Bruce, 2004). Therefore it is beneficial to take the initiative to launch online shop. And This step could satisfy online customers and complement the shortcomings of store sale.

4.Promotion:
H&M‟s target customers are young women who want more fashion cloth at low price. Young people have plenty access to information. A multi-channel promotion strategy including advertising, internet

promotion, sales promotion was adapted by H&M. These multi-channel strategy increases the exposure of H&M. They promoted through Fashion outlets (i.e.magazines,blogs,retailer web sites). H&M hired celebrities in their campaigns.
The promotional actions of H&M focus on the two features. It is easy to find the posters of H&M are in fashionable style and always with the price of the clothes. On H&M‟s website, price is put at obvious position. Although Zara and Gap, H&M‟s main competitors, put the price online, they usually put it small. On the contrary, advertising of H&M always highlights the low price to build awareness of their low price (Capell,K., Khermouch,G. (2002).

4. CONCLUSION

In conclusion, Zara and H&M have much to accomplish internally and externally as companies. To be fully established as a brand both companies will need to alter some of the aspects they have already created to be where they are at today. Both brands are well known in certain are as of the world and have formed a strong brand identity. To keep growing each company will need to make some adjustments and some compromises so consumers are more exposed to the fashion brands. H&M has already formed are cognizable name in the U.S. by having selective advertisements and a strong apparel line. If the company wants to continue to be adominant trendy company then implementing the marketing plan that wehave come up with may help to spread the name to more consumers.To make a mark on the U.S. market, Zara has many changes that need to take place in order to do this. Both companies have astrong brand identity; they just need to be introduced in a different manner so consumers are aware of the irexitence. Both apparel companies have the ability to spread in the U.S and be highly successful. It is a huge risk, but it will not damage the name or the price to make their products available to more people.

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