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PROFILING PARTICIPANTS OF THE RAINFOREST WORLD MUSIC FESTIVAL

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Abstract

For tourism marketers and event organizers, the identification and understanding of the customers are important for market segmentation. Profiling the tourists allows segmentation to be done on the basis of the person who makes the trip. The main objective of the study is to identify the characteristics of the participants of the annual music festival in Santubong, Sarawak. The satisfaction of the participants on the services provided and the facilities available is evaluated using the perception analysis on the services and facilities. On-site data are collected from a sample of the visitors to the three days festival; the data include all associated expenditures spent in the area during the festival. The results of the study show that 34%, 18% and 48 % of the visitors participate in 1, 2 and 3 days in the festival, respectively. The average total expenditure per participant per day is about RM477 giving an estimated gross total expenditure during the 2009 festival of about RM9.62mil. Of the international visitors, 57% are from Europe, 33% from Australia and New Zealand, 4% from America, 5.9% from other Asian countries. The majority of the participants prefer to stay in hotels in the city than in hotels near the site of the festival because they could find more tourism products and services in the city. Most participants are satisfied with the services and facilities available at the festival site; however, the main concerns of some of the participants are the cleanliness of the toilets, the availability of transportation, and the parking facilities. The organizers and marketing agencies involved could use information from profiling studies to plan strategies to increase participation of music enthusiasts as well as non enthusiasts in the future.

Keywords

Festivals; Segmentation; Perception; Profiles; Services; Facilities; Forest environment.

INTRODUCTION

The Rainforest World Music Festival (RWMF) is an event that unites musicians and artists from all over the world in the jungle of Borneo for an unforgettable event. It is one of the most prestigious cultural events in Malaysia, especially for Sarawak. The festival comprises a unique

cultural and musical workshop during daytime and concert performances at night. The main organizer for this event is the Sarawak Tourism Board (STB), which has also been playing a major role in presenting Sarawak as one of the world's main tourist attractions. Sarawak is known to have varieties of the most beautiful and unique traditional music originating from a diversity of indigenous communities.

Since the beginning of this special event in 1997, participation in the event has been increasing every year among traditional musicians from all over the world as well as traditional music lovers. RWMF has played a major role in boosting the tourist participation in this event every year (Munan, 2009). According to STB's Marketing Director Benedict Jimbau, there were about 20170 visitors in 2009 and this number has decreased this year due to breakout of H1N1 epidemics in 2008 (Yap, 2010). Throughout its history, this remarkable festival has grown rapidly in size and become the largest and most dynamic festival of its kind in Malaysia.

This musical extravagant is held in the South East Asia's finest "Living Museum" the Sarawak Cultural Village (SCV), which is, located about 35 km from the city center within the City of Kuching. This venue is an obvious part of the theme of the rain forest musical event (Allen et al, 2005). Holding this spectacular event at the Sarawak Cultural Village, Santubong is most significant because the village, for one, is located in a virgin rainforest that is simply the best place to appreciate nature's beauty in Sarawak. The village is a showcase of Sarawak's diverse but unique ethnic groups, which includes the Iban, Malays, Orang Ulu, Bidayuh and Melanau cultural heritage (SCV, 2010).

The main objective of the study is to determine the characteristics of the festival participants and their satisfaction levels on the facilities and services and the overall festival. In order to meet the forth mentioned objectives, the paper is structured in several parts. Section 2 presents a review of related literature on the issues of visitors profiling and related analyses. Section 3 discusses the methodology and scope of work, while the results, conclusions and future research directions are noted in Section 4.

RELATED LITERATURE

In a tourism system, it is generally accepted that tourism is a discretionary purchase based on the qualitative measure of the ordinal utility; here customers make the purchase based on raking of the bundles of the available commodities. Therefore, when an individual is deciding on whether to purchase a holiday package, he will consider the relative attractiveness of alternative packages available within the constraints of price and income. Suppliers of tourism products will therefore have to enhance the ability of the product/destination to market itself and to differentiate itself from alternative products so that the basic motivational instincts in the individual to have the holiday are met.

Pearce (2005) suggests the concept of 'tourist career' similar to a work career in which evaluation of past experiences, level of education, peer groups, physical and cultural environment, occupation and lifestyle together influence the decision for holidays. These push factors will encourage the tourist to leave home and travel to the destination. However, the



actual choice of the destination could be determined by the levels of disposable income and vacation allowance for wage earners, position in the lifecycle whether married or singles, if married ages of the children, and technological advancement especially transportation. The individual to ensure that the destination could satisfy their needs before purchase decision if done will gauge attributes at the destinations, including physical, cultural and political, (pull factors).

It is essential for tourism marketers to understand tourist behaviors, which may affect the choice of the destination offered, by the tourism marketers (Leisen, 2001). However, the tourism marketers find understanding tourist behavior is an intricate matter because of the heterogenous characteristics of tourists. Through segmentation and market targeting, it would be possible to identify the potential tourist behaviors toward the marketplace (Mohsin, 2005). In practice, the selection of target market is a complicated task, which needs a critical analysis on the potential segment based on their demographic, behavior and characteristic (Jain, 1985). Nonetheless, it is still useful and it helps to simplify the tourism marketers' understanding of the potential impacts by focusing the attention to one tourist segment only among specification of market segmentation.

The pull factors as motivators in the selection of the destination are categorized into six labels (Pearce and Wilson, 1995). The first three labels are termed the 'physical' which include the activities available at the location (both public and commercial); the settings, which are linked to biophysical aspects as in the national parks, heritage sites, or wilderness areas; and the facilities that provide physical comfort for visitors. The second category includes three human and social based characteristics. These include the services delivered to the visitors resulting in "friendliness" of the location; the hosts, the local people at the destinations who are not involved in the industry; and the management at the destination which provides the marketing and organizations of the destination.

Tourism managers and administrators require information on tourist profiles in order to help in designing and delivering tourism packages and supporting infrastructure. As the changes in the socio-economic factors that influence tourism demand indicate increasing future trends in tourism markets, appropriate planning have to be undertaken to meet consumer preferences. This may require the structuring of the industry accordingly and implementing effective anticipatory measures to avoid or minimize potentially adverse environmental impacts. Researches on market segmentation will provide information to enable product and promotional strategies to be adapted to different expectations and requirements.

As the socio demographic factors and the experience of the participants would influence future participation, a good understanding of the predictors of festival visitor expenditures could serve as a guide for the planning of marketing campaigns for successful festival management. It has been shown that the socio demographic and festival experience-related variables of visitors

have significant impacts on the volumes and patterns of their expenditure (Kim et al, 2006). The researchers have found that visitors who 'stay over-night' relative to those who 'do not stay over night' spend significantly higher levels for all the six categories of expenditure included in their study.

The tourism industry and especially tourism events such as the music festival would be highly affected by the number of tourist arrival or participation. To ensure repeat visitors and to attract new visitors it is necessary the services and facilities available and delivered be of satisfactory levels. Studies have shown that market promotion and word of mouth information are influential elements used by potential tourists in deciding to choose destinations, to extend length of stay and to spend on products and activities. Studies that focus on the expectation-experience gap have suggested that complaints made by the tourists to the national parks must be taken seriously because they are indicators of dissatisfaction of the tourists on service and facility deliveries (Yaakob, 2008).

METHODOLOGY

Data for the study is obtained through on site survey of the participants; structured questionnaire is distributed to the participants who have been selected at convenience in the festival ground. The survey is carried out on each day of the festival to ensure that sufficient number of participants have used the services and facilities to enable them to indicate their evaluation of the services and facilities at the site. Although the questionnaire has been designed for self-administered format, research assistants are available to help explain and clarify any misunderstanding.

The perception of the participants on the services and facilities is collected using the modified four-point Likert scales. The evaluation of the service and facility elements is used as an indicator of the level of satisfaction of the participants on the services and facilities. The analysis of the profiles of the participant is done using descriptive analyses. A total of 325 of participants have been included in the survey; only 300 questionnaires are accepted as complete; 25 questionnaires are discarded due to ambiguous or incomplete answers.

RESULTS

Visitors Profiles

Of the total sample selected for the study the proportion of domestic participants to the international participants is 48:52. This annual rainforest world music festival has been calendared as a major event among the foreign traditional music enthusiasts who have originated from the Americas, Australia and New Zealand, Africa and Europe. The Asians participants are mainly the Japanese and Koreans.

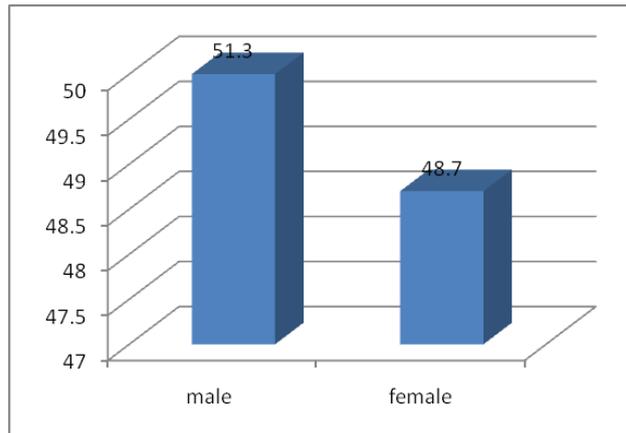


FIG. 1 GENDER OF RESPONDENTS

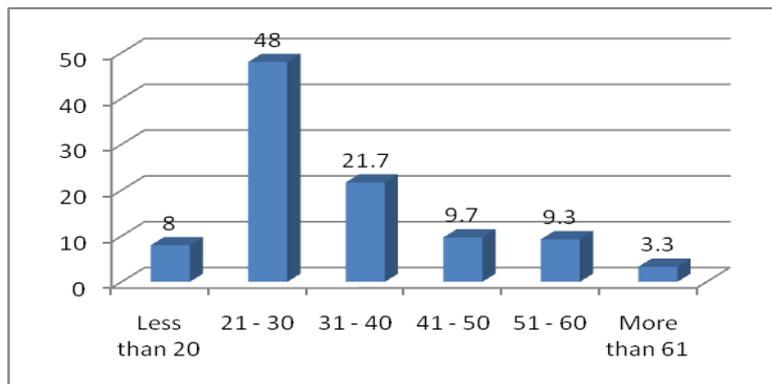


FIG. 1 AGE OF RESPONDENTS

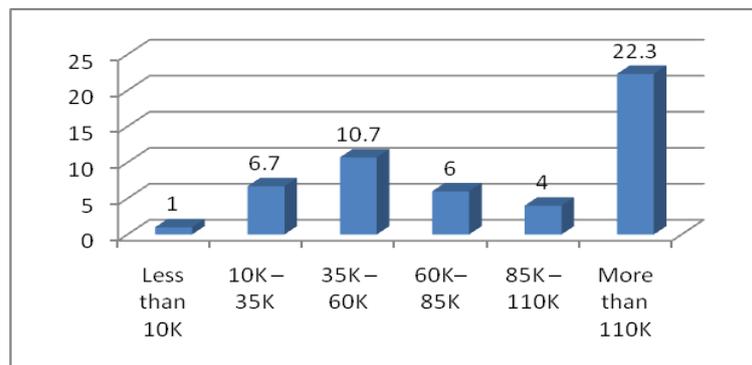


FIG. 3 GROSS ANNUAL INCOME OF VISITORS ('000 RM)

The proportion of male participants is marginally higher than the female participants, The age distribution shows a relatively young group of participants with 48% being 21–30 years old, and 21.7% were aged between 31–40 years old. About 12.6% are aged 51; those younger than 20 years (8.0%) are made mainly of university and college students.

Income being a rather sensitive issue to many individuals, especially among domestic visitors, only 50.7% of the sample have responded to the income question. Most respondents (22.3%) have indicated having a personal annual income of more than RM 110,000.00 (the higher

income distribution may be highly correlated to the higher exchange rates of foreign currencies to Malaysian Ringgit).

Visit Characteristics

Participation in festivals such as the musical events would be more exciting in groups of friend or family members; this is obvious when only 16% of the respondents indicate coming alone to the festival, coming with friends is the most common visit characteristic of the respondents. In the RWMF in Santubong, there are programs and activities that have been organized so that participation among groups of family and friends can be carried out. For instance, groups are encouraged to take part in traditional music workshop that include jamming together with the festival participants.

TABLE 1. ACCOMPANIMENT DURING VISIT

Type	Percent
Spouse	17.3
Family members	9.3
Friends	47.3
Family members and friends	10.0
Alone	16.0

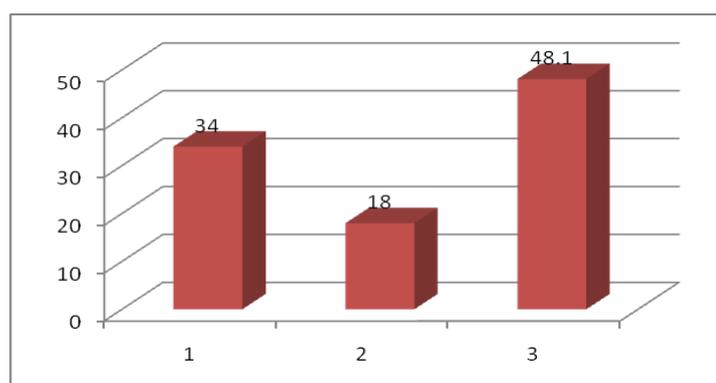


FIG. 4 NUMBER OF DAYS ATTENDING THE FESTIVAL

The musical festival is a three-day event, and the majority of the participants (48.1%) have indicated attending the whole three days. The day-time programs (workshops, seminars, cultural activities) in the festival have been scheduled to allow maximum participation among the visitors, while the traditional musical presentations fill up the night-time entertainment. The organizer of the festival provides sufficient transportation facilities to allow participants to stay in Kuching city since more accommodation facilities are available in the city; 75.7% of the participants have chosen to stay in Kuching city (Table 2).



TABLE 2. PLACE OF STAY DURING FESTIVAL

	Percent
Hotel in Kuching City	75.7
Hotel in Santubong	24.3

Attending any music festival is a rather costly affair since the participants will have to spend on several necessary items:

1. Accommodation and transportation if lodging facilities in the festival area are not available or inadequate in supply, participants will have to stay in the city;
2. Food and beverages;
3. Souvenir; and
4. Entrance fees which could be huge if the participants stay for the completely festival period or have not been able to purchase the entrance tickets with discounts (usually given to the early birds).

TABLE 3. EXPENDITURE OF PARTICIPANTS AT RWMF, SANTUBONG

Expenditure type	Less than RM100	RM 100-350	RM 350-600	RM 600-1000	More than RM 1000
Lodging			88%	5.3%	6.7%
Food & beverages	68.7%	23.7%	7.6%		
Transportation during festival	92.3%	7.7%			
Souvenirs	80%	20%			
Entrance fees	25.3%		69.3%	5.3%	

An overwhelming majority of the respondents (88.0%) have indicated spending less than RM600.00 on the accommodation. On food and beverages, 68.7% have spent on the average less than RM100 during the three day festival, while almost 24% of them have indicated spending up to RM350 on food and beverages during their stay. The expenditure on local transportation, whether taxis/car rental or bus, is relatively low; the majority (92.3%) have indicated spending less than RM100 for the three-day stay. Although 75% of the participants stay in hotels in Kuching, they have used the bus transportation facility prepared by the festival organizer, thus the transfer cost is low.

The entrance fees to the music festival have been set at different rates depending on several

criteria. A single entry fee is set at RM90 per adult with a 20% discount for children under 18 accompanying the parents. Students who could show their identification matrix cards are also given a 20% discount for a single entry. Early bird purchasers could purchase the tickets at RM250 per person for the three-day pass. As shown in Table 3, 69.3% of the respondents have indicated spending a total of between RM350-RM600 for the entrance fees during the festival. About 25.3% of the respondents have spent less than RM100 for entrance fees, these are most likely participants for one day event who have come mainly for the musical extravaganza on the last night of the festival.

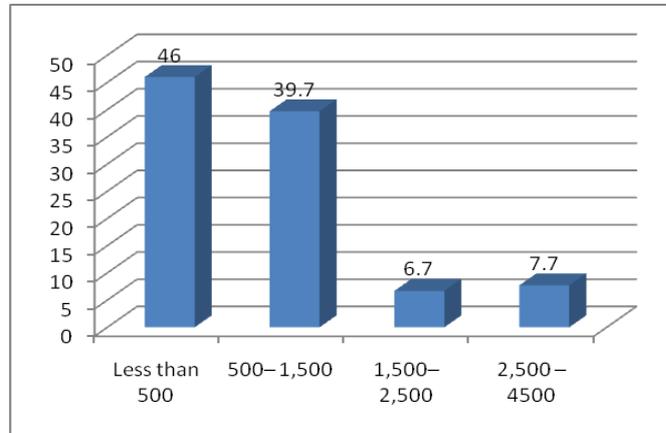


FIG. 5 TOTAL EXPENDITURE DURING FESTIVAL

Figure 5 shows the total expenditure of the participants during the festival three-day period. The majority of the participants have spent less than RM500 during the three-day period. Almost 40% have spent up to RM1500 during their attendance at the festival. Based on the total number of participants (of different categories) of 20170 (the Borneo Post), the gross expenditure during the festival in 2009 is estimated at RM9.62 mil.

Perception of Visitors on Services and Facilities

Deliveries of services and provision of facilities will influence the satisfaction of visitors to the destination; an analysis of the perception of the visitors to the site will enable the organizer to gauge the satisfaction level because perception will indicate the actual experience of the visitors on the services and facilities provided. In this study, participants have been asked to rank their satisfaction on a scale of 1 (very unsatisfactory) to 4 (very satisfactory). The results are represented in Table 4. The deliverables are categorized into 5 items labelled as: (1) accessibility; (2) services; (3) food and beverage services; (4) concert staging facilities; and (5) toilet facilities.

Staging the music festival in Sarawak Cultural Village (SCV), Santubong, is supported by a vast majority of the participants (91%). The respondents feel that the SCV as the main staging area of RWMF totally represents the unique culture of Sarawak because they can get to know Sarawak more through the village itself. However, only slightly more than half of the respondents are moderately satisfied with the parking and transportation facilities. Most of the visitors are not happy with the queuing time for the shuttle transportation provided by the organizer and for having to walk quite a distance from the drop off point to the village.



TABLE 4. SATISFACTION OF VISITORS ON FACILITIES AND SERVICES

Items/Scales	1		2		3		4		average
	No	%	No	%	No	%	No	%	
Accessibility									
Location of the festival in Damai/Santubong	11	3.7	12	4.0	118	39	159	53	3.42
Transportation facilities	31	10.3	79	26.3	130	43.3	60	20.0	2.73
Parking facilities	22	7.3	71	23.7	156	52	51	17.0	2.78
Services									
Reception services at the festival	7	2.3	32	10.7	175	58.3	86	28.7	3.13
Information services at the festival	8	2.7	26	8.7	179	59.7	87	29	3.15
Communication facilities at the festival	10	3.4	39	12.3	175	58.3	76	26	3.06
Ticket booking/reservation facilities at the festival	13	4.4	34	11.3	162	54	91	30.3	3.10
Assistance given by park staffs	4	1.3	37	12.3	174	58	85	28.4	3.13
Food and beverage services									
Restaurant facilities at the festival	10	3.3	26	8.7	148	49.3	116	38.7	3.23
Food variety available at the restaurant	14	4.7	31	10.3	146	48.7	109	36.3	3.17
Beverage variety at the restaurant	11	3.7	38	12.7	165	55	86	28.6	3.08
Services given at the restaurant	12	4	31	10.3	179	59.7	78	26	3.08
Prices of food charged at the restaurants	16	5.3	61	20.3	165	55	58	19.4	2.84
General cleanliness at the restaurant facilities	4	1.3	31	10.3	184	61.4	81	27	3.14
Concert Staging facilities									
Concert staging facilities	8	2.7	31	10.3	169	56.3	92	30.7	3.15
Audio system for the concert performances	6	2	27	9	172	57.3	95	31.7	3.15
Accessibility to various attractions within the village	7	2.4	34	11.3	165	55	94	31.3	3.15
Toilet facilities									
Accessibility to rest room/toilet facilities	10	3.3	38	12.7	171	57	81	27	3.08
Number of public rest room / toilet facilities in the village	13	4.3	53	17.7	161	53.7	73	24.3	2.98
Cleanliness of the rest room / toilet facilities in the village	27	9	61	20.3	150	50	62	20.7	2.82
Overall satisfaction	9	3	37	12.3	191	64	63	21	3.03

Participants are satisfied with the reception and information services at the festival, more than half of the respondents have indicated as such. The online reservation facilities adopted by the communication and booking/reservation department of the organizer of the festival have made visitors felt easier to purchase tickets and make other reservation to the festival. The internet accessibility has minimized queuing up at the entrance and ticket sale windows. Besides that, the assistance given by the staff is of much help to the visitors during the event. The services delivered to the participants are undertaken by volunteers from local communities and students from local universities who want to be parts of a traditional music culture and want to gain experience in organizing a big event. Their hospitality and professionalism in providing the services have given a positive impression to the visitors.

Participants of the festival are offered varieties of food and beverages at the restaurant facilities; the participants are generally satisfied with the offerings. They are quite happy with the services provided at the eating-places. Prices charged at the restaurants are considered fair, given that the participants do not have choices on the availability of other places to purchase food and beverages. Most important of all, the results show that cleanliness at the restaurant facilities in the village is regarded as satisfactory.

The concert staging facilities together with the sophisticated audio system for the concert performances are satisfying to the participants. The cultural and musical workshop conducted by the performers themselves during daytime in the village houses and the concert performances at night at the two main stages provided by the organizer during this festival have made the participants felt that this prestigious cultural event is totally worth it. The easy access to the various attractions within the village have made the three-day festival and music workshop satisfying to the majority of the participants. More importantly, the participants are gratified because they agree that the organizer of the festival has been able to invite many talented and well known performers in the traditional music scene from all over the world.

An essential facility that has not been given due attention in many publicly organized events is the rest room / toilet facility. At the cultural village, it is indicated that the toilet facilities provided have been satisfactory according to the respondents. The toilet facilities have been evaluated based on the accessibility of the visitors to the facilities as well as the cleanliness of the facilities in the village. The participants are also happy with the number of rest room facilities in the village available to be used, the number of toilets available has reduced the queuing time to relieve oneself.

CONCLUSION

The main objective of the study is to explore the profile of participants of the RWMF organized by the STB of Sarawak. This annual event has become a prime attraction of the state tourism industry since it has been able to bring together many well-known traditional music talents, individuals as well as groups, from all over the world. Information on the profiles of the participants will be useful for future organization as well as for marketing purposes. In addition, information on the satisfaction of the participants on the services delivered and



facilities offered will be useful in ascertaining that the money spent by the participants are worth it, thus will help in increasing repeat visitors and promotion by word of mouths.

In general, participants of the music festival belong to niche groups of traditional music lovers; they have come from different parts of the world, a slight majority come from Europe. Most of them are in the 21 to 40 year age group; come with friends and family members. Close to half of the total participants stay on for the whole three-day periods and spending between RM500 to RM1500 on accommodation, food and transportation.

Overall, the participants are satisfied with the facilities and services provided by the organizer at the festival. Some of them have suggested to the organizers to provide campground facility, recycling facility, environmental stalls that could reflect the rainforest nature of Sarawak. Many have also suggested starting using biodegradable packing rather than using styrofoam food containers. Even though some of the respondents have indicated not fully satisfied and feel that their expectation have not been fully achieved, many are impressed and feel that the organizer has done its best to fulfill the visitor's satisfaction. Therefore, the constructive comments given by the visitors could help the organizer in improving the service deliveries in order to maximize benefits and minimize problems during the RWMF event in the future.

Some of the participants have commented on the upgrading of the facilities done, as this is an annual international event, they feel that there is no excuse for last minute upgrading of the facilities, this has caused the grass lawn in front of the stage to be in an awful condition. Among those who put up at the hotels in the Santubong area, have commented on the prices charged, prices are of five star levels but the services provided are of three star quality. To attract repeat customers it is not only important that service deliveries are of high quality but more important the customers have memorable experiences when they use the services and facilities.

Although the organization of such music festival has cultural and heritage objectives, the cost involved in organizing the festival is massive. Therefore, it is necessary that the financial implications of the festival should become a major concern of the organizer, in this case the Sarawak Tourism Board, a public agency. As the effects of the festival will also be trickled down to the local communities and the region as a whole; policies and rules with respect to the impacts of the organization of such event must be properly formulated and implemented to minimize the unwanted effects. It is also necessary that the local communities must have a positive perception of the impacts of the event on their livelihood, thus a study on how they communities feel about the economic as well as socio-cultural impacts of the festival should also be undertaken.

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REPUTATIONAL CAPITAL AS AN ETHICAL QUESTIONING OF TECHNOLOGICAL INNOVATION: The case of MONSANTO

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Abstract

The introduction of transgenic crops as an alternative to solve the problem of food deficiency in most economies represents an area of opportunity for the development of biotechnology which in recent decades has pioneered Monsanto. Through literature review and a qualitative analysis of the main theoretical approaches that explain the behavior and strategies of expansion and growth of the company, checking the assumption that the active participation of society in the evidence of damage caused determine the strategic value of corporate reputation of leading transnational disputes, uncertainty and distrust regarding their products and processes, assuming that a danger to the health of the population and the environment in general.

Keywords

Corporate reputation; Distrust; Strategies; Transgenic.

Introduction

In recent decades, society's concern has focused on demographic matters primarily associated with strong population growth, mainly in developing countries; whose threat to natural resources and the environment in general, provide serious consequences socio-economic impacts not only in those economies, but also in other developed nations. The impacts of population growth have been problematic after market changes and the heavy losses in the production of agricultural fields, as a result of strong drought and frost problems. From the perspective that there is not sufficient access to nutritious foods that reduce the rate of malnutrition in the population who are at all stages of life, the problem has been classified as food insufficient and unsustainable.

In this way, the implementation of public policies and new alternatives based on actions that favor attention deficiency problem in food production is a challenge in each of the economies taking care not mainly relying on imports of basic grains. So, before that problem, numerous studies suggest that GM crops represent a viable option that can contribute to increased yields and agricultural production, without being necessary to increase the area under cultivation, forest rescuing the imminent logging and deforestation to expand agricultural land. The rescue alternative of ecosystem pointed to the investment and development of GM crops, and that agriculture biotechnology enables to obtain healthier foods with better flavor and reduced pesticide use, increased crop yields, better management of water and reduced greenhouse gas emissions and other benefits, which not only supports to farmers, but also benefits families and consumers in general. For this reason, companies like Monsanto are at the forefront of technology and pose to be found in the best position to contribute to the global challenges facing society today, generating enough food for the growing population which is increasingly every day in an effort to abate hunger and extreme poverty by developing sustainable agriculture.

Background

Today, sustainable agriculture has been presented as the solution to the problems of food shortage facing most economies around the globe, so that companies like Monsanto, Bayer, Syngenta and DuPont Pioneer American, have expressed to be prepared to reduce poverty and ensure food security through processes such as genetic improvement. The seed business by itself, it is quite competitive, and unlike many others, the purchase of the input is performed annually as seasonal or peak period and depending on the good or bad experience in the harvest, which will determine the purchase of the same or another seed for the next season, ensuring competition and constant innovation of the company.

While the leading biotechnology that has been at the forefront and the public focus has been Monsanto, it has been mainly in regard to such innovation and improvement of agricultural seeds. Because anti-biotechnology activist groups and unfair competitors or followers companies that have taken pains to make propaganda against, trying to prove that the success is due to anti-competitive behavior and further damaging the company's reputation.

Reputational capital is a valuable tool that the company develops over time and can make decisions about which products to buy, where to invest and where to work. In this way, the strategic value of a reputation characterizes the company making it attractive or not and expanding their options not only for managers, but for the general public consumer. In the business environment, corporate reputation can be considered as an intangible asset and strategic organization capable of representing a proof of competitiveness of the firm. Meanwhile, Kaplan and Norton (1996) suggest that the proper management of intangible assets may be favorable to business relationship with customers, ensuring the loyalty of existing ones and offering services which allow customers cleave segments and other market areas.



Problem delimitation

Thus, in an environment that historically technological contributions and achievements of Monsanto have represented a chronological sum of mistakes. Because the bad reputation of the company, the innovations achieved not only generates uncertainty in the population, but a full assurance that their contributions represent a danger to humanity.

Justification

In the context in which Monsanto is developing, it is in the best position to meet the demand for food that suggests a growing world population and fight hunger through the development of sustainable agriculture, not only supplying the agricultural sector with seeds, but products of biotechnology, agrochemical and technology in general. However, one of the main contributions of Monsanto and perhaps the most representative made lately, has been the production of GM foods. Against this production of GM foods, several international environmentalists' organizations have struggled since its inception. The GM foods are the same ones that Greenpeace (2011) has defined as living with a technique artificially created by inserting a plant or animal genes of viruses, bacteria, plants, animals and even humans, in order to produce an insecticidal substance or give resistance to herbicides.

This invention has been the trigger for society to turn against Monsanto's activities, arguing that the production of this type of seed varieties not only limits natural native varieties of the region, pollutes wildlife, reduce biodiversity and chemically contaminate soil and groundwater. Missouri's firm through its actions and creations, historically has been involved or has been responsible for various adverse events:

- In the beginning, Monsanto made strategic alliances with one of the most controversial groups in history: Monsanto who became one of Coca-Cola main suppliers, mainly saccharin and other sweeteners.
- Participated in the production of the first nuclear bomb used during World War II, and then operated an American plant of nuclear in the early 80's.
- The creation of the pesticide DDT in 1944. The substance was banned in countries like Hungary, Norway, Sweden and the US itself.
- The company Monsanto acted as a supplier of Agent Orange to the U.S. Army during the Vietnam War, substance which killed around 400000 people, causing damages to around half a million babies in the following years.
- Creating the growth hormone "bovine somatotropin" (BST), used in countries like Brazil, United States and Mexico, whose use has been banned in the rest of the world to be linked

with health problems, such as cancer.

- The main use of aspartame causing cancer and diabetes. Monsanto through a vertical integration Strategy, founded in 1980 the company NutraSweet, building a monopoly of poisons no calorie sweeteners.
- Reduction in seed variety. Using horizontal integration (buying organic seed companies) Monsanto over the years has been commissioned to market only exclusive products they produce.
- Using genetic and toxic methods of bees on crops.
- Creating herbicides "non-selective" as Roundup (the patent expired in 2000) whose main ingredient is Glyphosate that kills plants by inhibiting their ability to generate aromatic aminoacids.

Given these developments, Monsanto has acquired the title of the worst company in the world, so without making value judgments, such appointment is based on the market power that the company has, since despite this, its sales and global presence foster its growth and power.

Assumption

Despite the deniability strategy and conduct a carry on whitewash of responsible image, according to Delgado (2006), the more powerful the technology, the consequences can be profound. Then, the bad reputation of Monsanto creates uncertainty and mistrust in society in regard to innovations, assuming its actions are the cause of danger to people and the environment in general.

Theoretical framework

The connotation of the literature review arises regarding theoretical models, by which it is possible to understand the behavior of Monsanto in these 112 years, determined by the realization of important strategic alliances with other TNCs, purchases and acquisitions of firms that have facilitated some processes execution and reduce its competition. Similarly, the theoretical conception of the various expansion strategies implemented by the leading producer of GMOs is identified by the link between reputation management and the ability to create value for the firm, understanding the nature of reputation as enterprise resource.

Strategic alliances

According to Hitt et al (1997) in business, formalizing a partnership is carried out in response to a particular strategy that might well be addressed with the implementation of another strategy. Thus, Tallman and Shenkar (1994) propose that an alliance can conceive how a managerial process and organizational issues arising from whether economic or not, and by means of a cost-benefit assessment of the process of this alliance. Incidentally, Das and Teng (1997) determined that proper management of the alliance is a necessary process, though not sufficient, for the success of the



same, whose decision should be made based on formalization of the strategy to continue the business, since according Ariño and De la Torre (1998), these partnerships evolve while the company strategy does.

Therefore, according to McKelvey (1997) and, Alcázar and Martínez (2004), the evolution of a company that has strategic alliances with other companies, is designed simultaneously with the changing environment. Thus, a match between the goal of the alliance and strategies of the companies involved is made based on the competitive environment, institutional and organizational in which they operate.

Vertical integration

Currently, companies face some problems that can lead to aggravated constraints which hinder the achievement of goals or objectives thereof, being necessary to resort to various strategies to obtain new advantages over the competition. According to Villarreal and Gomez (2009), integration is a strategy that allows increasing the benefits and profits of organizations by improving processes, adding value and increasing profitability, allowing better opportunities to stay in the industry. Business integration can occur vertically, one in which the firm attempts to control the successive stages of the value chain of the product, or by way of horizontal integration, one in which it fosters cooperation with competitors in the same stage of the value chain.

According to Colangelo (1995), vertical integration produces higher yields than horizontal integration. However, Hill and Gareth (2005), state that horizontal integration increases the profitability as it tends to reduce costs. By contrast, vertical integration according to Mpoyi (2003), can determine the degree to which the company controls the production and distribution. Similarly, the sequence of activities is the process which provides value to the product, which is described by the principle of the value chain by Porter (1990).

Acquisitions

Among the strategies used by firms to gain size and generate competitiveness, there are activities such as the purchase of a company by another, also known as acquisition, whose cause according Zozaya (2007), is mostly facing threats or seize market opportunities.

According to Abellán (2004), the combination of interests of the various actors involved in the management of the firm can lead to be chosen by the strategy of a merger or acquisition. At company level, acquisitions often have significant impact on variables to determine the success and value of the firm, such as employment, stock price, market power, profits and / or profitability, growth rate, productivity and technological performance.

Intangible assets

In business management, intangible assets were introduced in the late 90's by Richard Hall. Intangible assets can be understood as business factors represented by an idea or knowledge that can drive the organization into positions where it is possible to achieve competitive advantages. In this respect, contributions like Itami (1991) consider organizational intangibles by way of invisible assets, the relevant factors such as technology, brand image, consumer confidence, organizational culture, and management capabilities.

Tissen et al (2000) conceived of intangible assets through business skills that allow them to generate sustainable competitive advantages, arguing that the proper management of these skills can create economic value for the firm. While Lev (2001), refers to intangible assets as assets arising from knowledge, Kaplan and Norton (2004), understood as determining factors for achieving the strategic objectives set by the companies.

While, according to the different views of these assets, it is difficult to define a single approach, it can be possible to steer it in three main groups common to any corporate entrepreneurship:

- Human capital includes skills, attitudes and aptitudes of firm personnel.
- Organizational capital includes items related intangible knowledge held by the company from its daily management.
- Relational capital includes the status of relations of the firm with its stakeholders.

Based on the diversity of ideas described above, from positions such as accounting, strategic, knowledge management, information technology and human resources, it is noteworthy that all relate to the concept of intangible assets, knowledge and intellectual capital.

Intellectual capital

In terms of strategic management, a pioneer in promoting the concept of intellectual capital was Stewart (1991), who referred to this concept considering the sum of elements of the human factor in the company, able to provide a competitive advantage market. In this regard, Edvinsson and Malone (1997) refer to intellectual capital by way of knowledge that can be transformed into inventions, technologies, processes and software, providing added value to the company. Meanwhile, Hand and Lev (2001) refer to this concept, by its origin from three main areas, innovation, organizational practices and human talent.

Thus, according to various theoretical approaches, it can be identified that the terms of intangible assets and intellectual capital are often used interchangeably. However, it is prudent to mention that the existence of intangible resources not necessarily refers to the intellectual capital of the firm, since it is usually considered only the culmination of the management process, determining even the generation or destruction of firm value.

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Generating business value

According to Mandel et al (2006), over 50% of the market value of the companies in the Fortune ranking of 500 is made up of intangible assets. Therefore, most of the wealth and growth in developed economies are due to intangible asset management. In the field of business, to determine the value of a firm is one of the great challenges, this due to the nature of the resources and liabilities intangible, difficult to quantify objectively in the financial statements.

Barney (1991) considers the resource-based view and the business capabilities of intangible resources of the firm, which can create competitive advantages and thus create value for the company, provided that:

- The resource provides financial value to the organization,
- Only some organizations have, that is, there are few,
- The resource is inimitable, and
- There are no substitutes on the market.

Thus, it is possible to attribute a monetary value to the competitive advantages of the firm, since this process represents a quantifiable measure of the value recognized by investors.

Business reputation

In the organizational sense or at firm level, Fombrun (1996) mentions that reputation is an intangible asset of companies that represents the identity and transmits signature hallmarks by which succeeds in changing behavior of their stakeholders. Therefore, the degree of perception of the name of the firm, having customers, investors, suppliers, creditors, employees and the general public are called organizational reputation. Thus, the institutional reputation refers to the way in which external agents conceive of corporate reputation, i.e. how they see, hear and opinions regarding the target company, either locally or internationally. According to Villafaña (2004), it is possible to identify three organizational dimensions around the concept of reputation:

- Axiological dimension: Within which it incorporates the cultural values of the organization, corresponding for the ethical question about the relationship with third parties and being a socially responsible company,
- Corporate dimension of service: In which are included commitments arising in the course of time in relation to the key players, and

- Management corporate dimension: Corresponding to the proactive attitude.

According to Costa (2004), reputation arises from the history of the company, on the credibility of its organizational objective and the means to achieve this goal by making use of resources such as corporate culture, based on the recognition that the company makes of its identity.

Factors influencing construction business reputation

While organizational reputation represents a certain strategic value to the company, the difficulty of it lies in measuring the impact it creates in every organization. Hillenbrand and Money (2007) raise some reputational models about the analysis of such an intangible asset, emphasizing the theoretical and conceptual foundations for the various interest groups, whose value appreciates or it is lost over time. Fombrun (2001) proposes five basic principles to generate organizational prestige:

- The principle of differentiation: Positioning in the minds of the stakeholders.
- The principle of concentration. The clear focus of the actions and communications on the subject of interest from trading.
- Principle of consistency: The integration and coordination of organizational initiatives, to involve stakeholders.
- Identity principle: Carry out a performance, public or private, in accordance with the principles and values that govern the existence of the organization.
- Principle of transparency. Maintaining strong levels of communication with stakeholders, and the people in general over the daily management of the organization.

Meanwhile, Villafañe (2004) refers to the need for hand social interests and business on maximizing profits for reinvestment. Business viability depends on factors such as ethics and sustainability. Corporate reputation then is measured by:

- Financial economic results.
- Quality of commercial offer.
- Corporate culture and work quality.
- Ethics and corporate responsibility.
- Innovation.
- Global dimension and international presence.

While the principles of reputational assets is about building conceptual parameters that allow the perception to be forwarded to the stakeholders, factors refer to specific quantifications that determine the levels of perceived reputational to keep stakeholders.



Technological innovation

According to Moreno (1985), innovation is understood from the definition of technology. It is described from the use of knowledge to produce goods or provide services. However, in the theory of innovation there are two main approaches conceived. One is tracked to the technical question in which tangible objects encompass a humanistic approach that relates to the transformation of objects for the benefit of mankind, for meeting the needs of the population, as well as greater control over the environment.

According to Escorsa (2003), technological innovation focuses primarily toward obtaining results, mainly characterized by:

- Having a novelty character to satisfy the needs of the population.
- Include the introduction of a technical change in products and services.
- Provide a socially visible utility.

Similarly, according to Pérez (2005), technological innovation can be seen as a process that starts from an idea, based on the identification of a need for the development of a product or service commercially accepted.

In an innovative approach to processes, the strategy of "Technology Brokering" and building social capital, whose main exponent is Hargadon (2003), argues that technological innovation is related to the social metaphor of Burt (2000), who proposes that the social structure is a type of capital that creates a competitive advantage to achieve the goals set by groups or individuals. However, the change in scientific development and application of techniques for the generation of technologies with commercial validity, involves a series of steps that interrelate with other activities incurring in vanishing points that encourage interconnections.

Contextual framework

While almost since the origin of mankind, according to Delgado (2006), biology through a series of processes and mechanisms of trial and error has been used as a tool to transform nature by various techniques. With respect to agricultural development, the contribution of Mendel's laws set the tone for the selection process improvement and subsequently crosslinking "manual" between compatible species bringing hybridization (Bisang et al, 2009).

According Solbrig (2004), invention and idea of carrying out the modification of the characteristics of living organisms for specific purposes of the interest is shown and technological development for thousands of years.

Since the application of biotechnology in the production focuses on natural resources, it is

important to highlight the significant competition in innovation and scientific complexity that generates about the universe framing the technological development and taking shape in a small number of companies that generate these advances, such Monsanto is the case. In that perspective, though, the transnational of Missouri was founded in 1901, its expansion began in 1928 through the acquisition of companies in the chemical and textile industry. It was until 1981 when it established as a focus of biotechnology research and in 2000 it achieved consolidation dedicated exclusively to the agrochemical industry.

Today, according to Pérez and Medina (2008), Monsanto has over 14000 employees and has presence in countries on five continents, including: Argentina, Germany, Australia, Austria, Bangladesh, Belgium, Brazil, Bulgaria, Canada, Chile, China, Colombia, Croatia, Czech Republic, Denmark, Ecuador, France, Greece, Guatemala, Honduras, Hungary, India, Indonesia, Ireland, Italy, Japan, Jordan, Kenya, Korea, Malawi, Malaysia, Mexico, Netherlands, new Zealand, Nicaragua, Pakistan, Paraguay, Peru, Philippines, Poland, Portugal, Romania, Russia, Senegal, Singapore, Slovakia, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Thailand, Turkey, Uganda, Ukraine, United Kingdom , United States, Venezuela, Vietnam and Zimbabwe. As in most of those countries where environmental advocacy groups are leading protests and demonstrations by countless violations on genetic manipulation of natural products (transgenic), loss of biodiversity, market monopoly, violation of food sovereignty movement and displacement of peoples and land concentration, among others, are leading campaigns on the history and impact of the company.

Method

In the present study, it was conducted a review of novel electronic materials and critical of the current situation of the company, supported by a qualitative analysis of the main theoretical approaches that explain the behavior and strategies taken by Monsanto.

Analysis of results

The global expansion strategy has allowed Monsanto to seize food problems of the population, taking into account their strengths and favorable conditions obtained from experience by acquiring other companies and integrating both vertically and horizontally organizations on five continents, transforming key processes and providing technology. The growth and expansion strategy that Monsanto has been characterized by allying with dubious companies like Coca-Cola than in Asian countries is called "toxic-tail", accused of selling harmful products that cause cancer and poison people, water and earth. The NutraSweet Company is in the segment of carbonated beverages that produce carcinogens. Calgene, Inc., a leader in plant biotechnology, and Dekalb Genetics Corp., the second largest producer of seed corn "improved" in the United States, or by dubious good intentions by buying business-oriented organic seed production.

The human health problems and environmental pollution arising from the errors in products and



processes have evolved in reliability problems to the company, expressed through a series of contingencies that discuss the positioning and consolidation of quality in biotech innovations Monsanto. While social controversies and conflicts of value arising on the development of the company are the result of the interests of various groups: scientists and technologists, entrepreneurs and investors, farmers, politicians, and citizens in general, have led to important and significant ethical judgments and mobilizations against transnational, based mainly on how to operate the company.

The main accusations against transnational include human rights violations and ancestral rights of indigenous peoples, compulsive evictions, unlawful coercion, murder, looting of commons, destruction of the territories where they operate, destruction of native forest, effects on the health of populations, impacts on local sovereignty, national and popular, violation of labor rights, concentration, privatization and foreign ownership of land. According to Proceso de Justicia Popular (2012), as demonstrations against such activities, the multinational has had to face a number of complaints and prosecutions carried out around the world, such as:

- The complaint filed by the association Eaux et Rivières de Bretagne in 2001 by announcing that its Roundup product was efficient and had no risks for the environment.
- The complaint by the residents of Anniston (Alabama) in 2002, for polluting the water sources of the village with the chemical PBC.
- A lawsuit in 2004 for 350 million dollars for the use of aspartame in their sweeteners despite its toxic effect to the brain.
- A complaint in 2004 in Andhra Pradesh by the use of infants in "horrendous conditions" in cottonseed fields.

As a protest, in order to manifest and protest against the company, there have been several demonstrations and popular resistances.

- The campaign in Mexico: "Without corn there is no country" ("Sin Maíz no hay País") firmly rejects GM maize, and advocates for the defense of the Mexican countryside, protection of Mexican corn, food sovereignty and the reactivation of the Mexican countryside.
- The campaign led by the Peasant Association Scimitar River Valley (Asociación Campesina del Valle del río Cimitarra). "Monsanto Mata" in Colombia.
- The Campaign in Latin America, "Latin American Network for GMO-Free" ("Red por una América Latina Libre de Transgénicos"), to declare the Andean region, the center of origin of potato, transgenic potato free.

- The network of civil society organizations and people's movements lead the "Campaign for a GMO-Free Brazil" ("Campaña por un Brasil Libre de Transgénicos").
- Global Protest against Monsanto on behalf of more than 200000 people in 40 countries on May 25, 2013 by the indignation of the inaction of the governments to the detrimental effect with GM products and their production without any impediment.

By way of response, Monsanto has directed its strategy faking transparency through the "green washing", whereby attempts to convince the public that favor the preservation of the environment, and convincing politicians that their activities are popular support.

Conclusions and recommendations

Due to the larger social interest in reducing risks to the environment and human health, the relationship between society and techno-scientific power further conflict, has become controversial. The controversies generated around innovations in the development field denote that the industrial model characterized by ignorance and little or no participation of the society in which only the evidence of damage already caused to health or the environment is a cause justifiable for the modification or withdrawal of such technological inventions, is no longer adequate.

Given the technological development, issues such as prevention and accountability represent moral obligations by Global Bioethics, so that genetic modification seen as a cultural intervention must be assessed in context. Despite laundering strategy that manages Monsanto responsible image, the bad reputation that characterizes it, along with the increasingly encourages rejection information available to the company and the products it develops and produces.

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COMPARATIVE APPROACH OF COMPETITIVENESS OF IRANIAN BANKING SECTOR

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Abstract

The aim of this paper is present a comparative approach of competitiveness condition in the banking system of Iran by use of two different New Empirical Industrial Organization (NEIO) approaches (Panzar-Rosse and Hall-Roeger models) over the years 2003-2011 for P-R model, and 2007-2011 for other one. The result of calculated H-statistics shows that, the Iranian banking sector's market structure has a monopolistic situation. In the case of Hall-Roeger model we calculate the Lerner Index for 18 banks, The results for Lerner index show that for 15 banks are $P > MC$ and for rest of them is $P < MC$. For comparative purposes the obtained results between the Panzar-Rosse model and Hall-Roeger model, is that it seems that the degree of competition in Hall-Roeger model seems to be intensive than other model. However, these result are similar both of them show that the Iranian banking industry market is non-competitive.

Keywords

Banking Sector; Competition; Iran; Panzar-Rosse Model; Hall-Roeger Model.

INTRODUCTION

The financial and monetary system of any country has a key role in, stability and efficiency of economy environment, keeping the stability of general price level, supporting the production affairs and facilitating the development of economy. Moreover, the efficiency and stability of the financial and monetary system can support and boost the real economy sector (Namazi and Salehi, 2010). Thus, analysing the banks



performance and active institutes in this system is because of their importance of the economy. In addition, it can encourage investors to invest financial resources in an efficient and optimal way. In fact, the fundamental importance of banks causes to appear some empirical researches in the term of relationship between financial systems with economic growth (King and Levin, 1993; Levine, 1997). Thus, the impress of financial development on economic growth is one of economic issues that via saving and accoutrements of capital resources and increase of efficiency will predispose of the economic growth and prosperity. The literature on measuring of competition can be divided in two sections: the Structural and Non-Structural approaches. The Structural models contain the Structure-Conduct-Performance (SCP) paradigm and the efficiency hypothesis, as well as a number of formal approaches with roots in Industrial Organization theory. And, as response to the theoretical and empirical deficiencies of the structural model, non-structural models of competitive behaviour have been developed namely the Iwata model, the Bresnahan model, and the Panzar and Rosse (P-R) model. These New Empirical Industrial Organization approaches test competition and stress the analysis of the competitive conduct of banks without using explicit information about the structure of the market (Bikker and Haaf, 2000). Iranian banking sector has experienced a lot changes during the different stages. In particular, after 1979 revolution rigid controls and state ownership of the financial institutions make Iran as one of the few remaining examples of the financial repression and furthermore, banks are subject to interest rate ceiling for both deposits and loans and to direct controls on the allocation of loans among different sectors and to public enterprises according to the yearly budget laws and related notes. But in recent years after some deregulations in this sector this absolute monopoly situation has decreased and specially after coming back of private banks this process of reducing concentration have been rather.

TABLE 1. MARKET STRUCTURE INDICATORS BASED ON BANK’S LOAN AND DEPOSITS

Table with 10 columns (Year) and 10 rows (Loans, CR2, CR4, HHI, Deposits, CR2, CR4, HHI) showing market structure indicators from 2003 to 2011.

Right now, in Iranian financial system, there are two types of firms. The first one is

banks that have specific legal structure, but the second is Non-Bank Financial Institutions that contain Trust, Companies & Foundations and Fiduciary Services. In recent years, we have seen a lot changes in regulation and then structure of Iranian financial system such as entrance of private banks, the trend of transformation of trust, companies & foundations and fiduciary services to bank and grant of state banks' stocks. Several commonly used indicators of concentration, namely, CR₂, CR₄, as well as the Hirschman-Herfindal index (HHI) reported in Table 1.

OVERVIEW OF THE IRANIAN BANKING SECTOR

Since it has existed, the Iranian banking sector landscape has changed in different stages and in each period the environment that emerged gave impetus to establishment of specific kind of bank and none bank financial institutions. In Iran, although, banking activities come back to times past, but the modern banking does not have long precedent. According to history, banking returns to Hakhamaneshi era, but the modern banking commencement goes back to nineteenth century that during the extension of commercial transactions, two foreign banks branches established in Iran. In general, the Iranian modern banking system can be divided into 4 different stages. The first stage (1887-1949), starts when The New East bank established two branches in Tehran. Then, in 1888 the Imperial bank of Iran established via using the British grant of "Barron Jullio Roiter". Then, Bank-e-Esteghrazi, Osmani Bank and Iran and Russia bank established, among others. The first bank whit Iranian capital (Pahlavi e Ghoshon bank) was established in 1925, also the first Iranian Private bank (Bazargany Bank) established in 1949. In the second stage (1950-1978), some of other banks with private, governmental and mixed ownership established, that in threshold of Islamic revolution the number of banks reaches to 36 (8 governmental, 14 private and 13 mixed banks). Also banking rules were revised in 1953. In third stage, after the revolution of 1979 and therefore the incidence of various factors such as lapse of public confidence, considerable withdrawals and increase in non-performing loans of banks, the operation of most private banks stopped in spite of Central Bank aids. In such circumstances, "the Bill of Nationalization of Banks, Credit and Insurance institutions" was passed by Islamic Revolution Council of Iran in 1979, transferring the ownership of all private banks to Government. Thus, the number of banks reduced from 36 to 9. Then in 1983, the "Law for Non-Usury Banking Operation" was passed. From that time on, facilities are extended in form of 14 Islamic contracts. Furthermore, interest rate is replaced by banking fee and assured fixed profit. (Mojtahed and Mehrabi, 2008). During this period, the governmental structure of banks allowed policy makers to take advantage of bank's monetary fund in favour of their macro/micro priorities. (Goodarzi and Shafiee, 2009). Governmental structure lasted until 1998, for forth stage (1998-2013), The "Law for



Authorizing the Establishment of Private Banks" was passed. Therefore, a number of monetary and financial institutions began their operation, except for opening demand deposit accounts. Then, private banks were established and until 2012 twenty two private banks and more than six thousand Gharz-Alhasanh Funds, among others, entered to this market. It is now expected that banking market in Iran is one way of getting more competitive (Ghandinejad, 2006).

TABLE 2. SUMMARY OF IMPORTANT EVENTS ON IRANIAN BANKING EVOLUTION

Year	Bank	Explanatory Points
1887	New East	The first modern bank in Iran which belongs to England.
1888	Imperial	For 60 years had the oligopoly right of editing bill.
1890	Esteghrazi	Belong to Russia and had the oligopoly right of public auction.
1925	Pahlavi Ghoshon	The first Iranian bank, now active as Sepah.
1928	Melli	By having the oligopoly right of editing bill in fact was Iranian Central Bank till 1960.
1955		Approving of first monetary and banking regulation in 38 principles.
1960	Central Bank	It establish to setting the Currency volume and presidency on banking system.
1949-1972		The establishing banks prosperity period, which in threshold of revolution, 36 banks were on.
1973		Reviewing of Monetary and Banking Regulation and increase of Central Bank's authority.
1980		Nationalization of all banks and merging them together by approval of Revolution Council.
1983		Approving of Non Usury Banking System in Islamic Parliament Council.
1991		Increasing of Non Banking Institutions according to 44th principle of constitution.
2000		Adjustments on Principle 44th and entrance of private banks.
2004		Approving of Non Banking Monetary Market's Regulation to control them.
2005 up to now		Supplying the stock of Mellat, Tejarat and Saderat in Stock Market and make over of Reffah to Social Secure Organization.

The Panzar-Rosse model

The PR model for measuring market power relies on the premise that each bank will employ a different pricing strategy in response to a change in input costs, depending on

the market structure in which this bank operates (Panzar and Rosse, 1987). Thus, this model investigates the extent to which a change in factor prices (i.e. the price of funds, capital and labour) is reflected in equilibrium revenues earned by a specific bank. PR model has a sound theoretical basis and there are some important assumptions underpinning this model. The assumptions of the Panzar-Rosse model include (i) profit maximization at bank and industry level, (ii) equilibrium in the industry, (iii) conventional cost and demand structures, (iv) that banks are single-products firms, i.e. the intermediation approach is applied to bank modelling (De Bandt and Davis, 2000). Panzar and Rosse for numerical assessment of degree of competition define H-statistic that calculated from the reduced-form revenue equation and it can serve as an evaluating of competitive behaviour of firms under above assumptions. This test is derived from general banking market model, which determines equilibrium output and the equilibrium number of banks, by maximizing profit at both the bank level and the industry level (Bikker and Haaf (2002). In general, the H-statistics take the following form:

$$H = \sum_{k=1}^m (\partial R_i^* / \partial W_{K_i}) (W_{K_i} / R_i^*)$$

Where R_i is revenue, W_{ki} is factor input prices and $[*]$ represent the equilibrium values. The estimated value of H, take the range of $-\infty < H \leq 1$. For the interpretation purpose, if H is negative, it means that there is oligopoly situation in the market, if the H is a value between zero and unity, the market structure characterized by monopolistic competition and finally if we have unity, it is perfect competition case. Overall, the PR model is regarded as an important tool for investigating the market structure; since bank's revenues are more observable than output prices and quantities or actual costs, data availability is another reason for accept that this model has been more successfully applied than the other models. Indeed, the needed information is recorded in public accounting statements and readily available through several data sources. For empirical purposes, several specification have been presented in the burgeoning the literature, Here, we following from Gutierrez (2007) and, Bikker and Haaf (2003), used the following empirical form:

$$\begin{aligned} \ln(NITA) = & \alpha_{it} + \beta_{1t} \ln(PL_{it}) + \beta_{2t} \ln(PLF_{it}) + \beta_{3t} \ln(PCE_{it}) + \\ & \delta_{1t} \ln(EQTA_{it}) + \delta_{2t} \ln(LOATA_{it}) + \delta_{3t} \ln(LFTA_{it}) + \delta_{4t} \ln(LDTLD) + u_{it} \end{aligned}$$

Where the dependent variable, NITA, is the ratio of Net Income to Total Assets, The set of explanatory variables embraces three factor input prices, namely PL (Price of Labour), PLF (Price of Loan able Funds), PCE (Price of Capital Expenditure), as well as



four bank-specific variables: EQTA (Equity to Total Assets), LOANA (Loans to Total Assets), LFTA (Loan able Funds to Total Assets) and the scale factor LTLD representing the individual market share according to loans and deposits. Finally, u_{it} is the disturbance term.

The Hall-Roeger model

In order to investigate the market structure of Iranian banking sector and for comparative purposes, here we also used from a model based on a method developed by Roeger (1995), which is an extension of the work of Hall (1988) where he applied a new test for monopoly power in US industry. He criticized the Bresnahan-Lau approach for testing for market power as relying on specific functional form assumptions, instead favouring a non-structural reduced-form approach. His basic realization is that the traditional Solow residual (SR) should be independent of variations in the log-change of output in the absence of monopoly power. The main contribution of Roeger (1995) is that he showed how the differences between the production-based (primal) SR and the cost-based (dual) SR can be used to eliminate the unobservable productivity shock in order to obtain an unbiased of market power. A possible disadvantage of the model is that it is based on an assumption of constant returns to scale. Thus, decreasing (increasing) returns to scale will bias the estimated when comparing the same industry along different periods, provided that the nature of economies of scale does not change over time (Rezitis, 2009). Based on this model, the mark-up of banks is estimated in order to analyse the market power of the Iranian banking sector. Here for measurement the gap between price and marginal cost and evaluating the oligopoly intensity, we used the generalized Hall-Roeger approach to calculate the Lerner index, or degree of monopoly power, expresses market power as the difference between the output price and marginal cost in the profit maximum divided by the output price, as follow:

$$\frac{dY}{Y} + \frac{dP}{P} - \sum_i \theta_i \left(\frac{dX_i}{X_i} + \frac{dW_i}{W_i} \right) - (1 - \sum_i \theta_i) \left(\frac{dK}{K} + \frac{dW_K}{W_K} \right)$$

$$= [\lambda(\beta - 1) + 1] \left[\left(\frac{dY}{Y} + \frac{dP}{P} \right) + \left(\frac{dK}{K} + \frac{dW_K}{W_K} \right) \right]$$

$$X = [l, m]$$

$$W = [\omega, p^m]$$

$$W_k = r$$

Where the X vector contains the Labour (L) and intermediate institutions and the W vector contain wage of Labours. Also, R is price of capital.

Empirical Results

Here, we investigate the marker structure of Iranian banking sector and comparative the estimated degree of competition using of two different model to better understand of this market and consistency check or see is there any difference between these results or not. All data that we have used are available from individual bank's annual report and other financial statements such as Iranian Annual Banking Performance Report published by Iranian Banking Institutes, among others. A list of surveyed banks presented in table results, which are 18 private and governmental. Of the registered banks included in this study, some of the year's annual reports and financial statements are not available or do not disclose all of the key variables, because of that we test the Hall-Roeger approach in years 2007-2011. In addition, before 2007 there is no sufficient data to enable us to test this model in Iranian banking market. As we said before the H-statistics is summation of elastic ties of the reduced-form revenues with respect to factor prices, thus, the result of calculated H-statistics reveals that, the Iranian banking sector is monopolistic in nature. In other word, in this period, the estimated H-statistics is 0.45, which according to usual interpretation of Panzar and Rosse model; it means that Iranian banking is on stream in monopolistic competition condition. In the case of Hall-Roeger model, we calculate the Lerner Index for all banks during 2007-2011. All test confirm that specified model fits the data (adjusted $R^2=0.72$) as the Hausman statistics suggests the fixed effects approach and F-test supports the join significance of majority of repressors. The results are presented in Table 3 and Table 4.

TABLE 3. THE EMPIRICAL RESULT FOR HALL-ROEGER MODEL

Independent Variables	Hall-Roeger Equation, Coefficient
Observations	72
Adjusted R^2	0.72
F Statistics	7.52
Hausman Test	6.92
Lerner Index average in whole industry	0.46



TABLE 4. FREQUENCY OF BANK'S DISTRIBUTION IN DIFFERENT RANGE OF LERNER INDEX

Range of Lerner index	No. of banks	Relative frequency (%)	Cumulative frequency (%)
$-1 \leq L < 0.1$	3	16	16
$0.1 \leq L < 0.3$	2	11	27
$0.3 \leq L < 0.6$	4	22	49
$0.6 \leq L < 0.8$	5	28	77
$0.8 \leq L < 1$	4	22	100

The obtained results for Lerner index show that for 15 banks are $P > MC$. In particular, for nine banks it is further than 0.50, but for 3 of them is $P < MC$ which can be justify as they have been loser in this period.

CONCLUSIONS

The ongoing structural changes in the Iranian banking industry affect competition on this market. This paper seeks to assess competitive conditions in Iran's banking industry using the two structural and non-structural models that both of them are as part of New Empirical Industrial Organization (NEIO). As investigating the Panzar-Rosse model for years 2003-2011, we find the monopolistic competition condition in this market as the estimated H-statistic is 0.45. Also, The empirical results for the Hall-Roeger model indicate that during the period (2007-2011), provide evidence of presence of a non-competitive market structure in Iranian banking sector as by calculating the Lerner Index for total 18 Private and Public banks, We found that during this period the Lerner index for 15 banks has been fluctuated between 0.1 to 0.90, and for three remain banks it has been negative. Also according to our result, up to 0.80 of these banks have succeed to create a significant gap between their price and marginal costs, thus they gain market power. A possible explanation of the differences in the obtained result between the Panzar-Rosse model and Hall-Roeger model, is that it seems that the degree of competition in Hall-Roeger model seems to be intensive than other model. However, these result are similar both of them show that the Iranian banking industry market is non-competitive.

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DETERMINANTS OF CUSTOMER RETENTION IN HOTEL INDUSTRY

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Abstract

The customer retention is very important for the hotel to maintain the old customer and attract the new customer. This is very difficult job for the hotels and for each company to retain the old customer and for that reason the hotel offers different package for their customers to retain. The main aim of the research is to find out which factor play important role in the customers retention. Research conducted in order to find out which hotels are better in comparing Grand hotel and Park Inn hotel. In this line, study has applied both qualitative and quantitative techniques. The primary data were collected through questionnaire, which was distributed among the customers of these hotels. Furthermore, the secondary data were collected from different journal articles, textbooks, magazines etc. The sample size was 140, out of which 70 were filled up by customers of the Grand hotel, and 70 were filled up from the customers of the Park Inn hotel. The main intention of this research was to investigate that which hotel customers are more retained by respective hotels.

Keywords

Hotels; Retention; Customers; Security; Peshawar Pakistan.

Introduction

Hotel industry is much more dynamic and we may see day by day change in hotel industry. Mostly hotels in Pakistan are targeting their consumers through quality services and by offering different packages regarding per buffet charges and other services as well. Mostly hotels in Peshawar are targeting their customer by different packages and services offering.

We also know that major contribution in GDP is from services side and round about 70% is added by services side each year in our gross domestic product of Pakistan. There for due to high growth in services sector mostly hotel sector in Pakistan trying to retain their customer by offering different packages. Service sector Industries includes education, retailing, tourism hospitality and



medical services. According to Clow (1998) they find out in their study that despite the efforts of services industry to attract and manage the supply and demand of the consumer still consumer are not loyal for this hospitality sector needs to develop high level strategies and offering as well as with these efforts organization who providing services in this sector needs to change the taste and also change their routine offering for the sake to retain the customer to achieve their goals in most effective way.

Martin (2001) find out and show that relational ship marketing how build long lasting relation with consumer and in this manner organization can achieve their ultimate goal which they have to operate this business. Zeithaml (2006) find out that organization how aware the term of customer retention they do hard efforts for it and adopt different mechanism to cut their cost and remain the consumer as loyal to the business organization.

We have noted that in hospitality industry in Khyber Puktoon khwa facing a down fall due to lack of innovation and mostly this sector offering is based on old is gold policy that's the main reason of failure in service sector in KPK, according to (Boshoff and Staude, 2003) they explain that hotel businesses need to reshape their strategies to going back the customer to the state of satisfaction. According to Griffin the hotel business organization should need to implement a 'win-back' strategy to return their valuable customer which they have lost due to poorer services business organization needs to think ahead regarding their services recovery and by this they can achieved better market share and high portion of profit.

The questionnaires is about at the looking of which sort of activities have been adopted by the hotel management between these two hotels grand hotel and park inn hotel that what types of strategy they are adopted on the services quality. The present study is regarding hotel park view and grand regarding the importance of retention the consumer and building long lasting relationship with the consumer.

Objective

The main objective of the research is to find out that which facilities are there in the hotel which are most like by the customer and is to stay there. Research has compared two hotel one is grand hotel and the other one is park inn hotel and both are located in the Peshawar city.

Literature Review

Customer retention

Customer retention- defines many researchers that the customer retention are too much important for the customer and they explain that to attract the customer and then retain that customer are too much important for the customers. Gets and Thomas (2001) state that a customer retention occurs

when customer purchase a product or services in again and again this phenomenon is called customer retention over an extended period of the time. For product or services for short purchase time the customer purchase the product or services over a specified time period.

For product or services with long purchase time the customer purchase the product or services over a next occasions or the regular basis this is basically called the customer retention this two situation is called the customer retention according to the Get and Thomas. In this line, Pyne (2000) states that the customer retention explain the percentage rate at the start of the time period and the customer who still remain customer in the end of the time period.

The concept of customer retention

Jobber (2001) states that for many years in hospitality marketing activities of the organization as much as possible to get as many new customers goal. Mature and intense competition in the hotel industry, it fails to win a lot of marketing. The hotel away from customer gaining and customer retention and loyalty by moving their marketing strategy.

According to Richards (1996) intense competition in the hotel industry, hoteliers customer acquisition to customer retention and simultaneously shift their strategy, information technology, increase customer retention and loyalty continue to make inroads in 's. Industry standard loyalty program, winning and maintaining customer loyalty is an important source for hotels (Kotler and Armstrong, 2006). The hospitality industry, the high quality of service can add value to the image and amicably as well as photographs, customer retention and loyalty will lead the have.

Factors influencing customer retention

According to Bolton (2000) the customers are important, but keeping and customer satisfaction is more important. What is changing or maintaining the consumer is expected to maintain that if companies want to improve your product or service. A consistently high customer loyalty through the provision of services is achieved.

According to Reichheld (1996) 5% increase in customer loyalty can produce 25-80% rise in profits advised. He added that the profit derived from a single customer during the business relationship that grows argued. 60% of new customers to increase sales in the form of customer loyalty, customer recommendations could be attributed. Furthermore, the same author notes that a 5% increase in customer retention produces 75% of the current value argument. He said most businesses that says loyal customer willing to pay premium prices. The benefits of long-term loyal customer supplier relationships in a hospitality firm might therefore cleared headed.

According to Prabhu (2003) the customer retention customer satisfaction and quality services are the pre-requisites and significant impact on purchase intentions says. Maintained or be loyal to a customer and hotel patronage factors include: satisfaction, quality service, brand image, service performance, customer identification, positive experiences, flexibility and technology.



According to Gronroos (1994) a complaint must focus on retaining customers is one of the best tips says. A mind that customer complaints and customer testimonials to discover more about the product helps keep right and that should always be considered. The same author, (1990) notes that the event marketing customers to maintain an expensive option, but it says it works. Event, seminars, discussion groups and can be by conference. Customers also active on these events can be invited to participate. Business activities to create a good reputation and people tend to trust well-known organization. Customer Service with a smile is respected and feels comfortable and can control any untoward situation helps.

According to Bolton (2000) customer loyalty programs to their customers as loyal are going to help the organization to maintain. Some points to reach a common loyalty program or participating hotel to spend a specific amount of customers who reward points, discounts and customer subscription includes. Hoteliers use technology related loyalty programs. To help foster loyalty, hotel reservations and other information to access a WAP-enabled device that provides a regular guest. Internet use by hoteliers to develop loyalty online personal web site, e-mail coupons and e-mail marketing allows you to create.

Richards (1996) has served the hospitality industry that can add value high quality and amicably so will lead to customer retention and loyalty that is one of the main factors within the control recognizes the United States, good picture quality as well as service from their competitors differentiate themselves and retain loyal customers and loyal to their ability to achieve key hoteliers.

According to Gronroos (1994) the firm's customer loyalty dominant factor in the success of a business organization is recognized as the states. The hotel's photo and interior, reception, food and beverage, and price performance with positive customer satisfaction and customer loyalty are indicative of the fact correlated. Corporate image and service quality, which in turn affect customer loyalty; customer satisfaction is influenced by equally customer retention

Therefore customer retention in an organization and its customers by maintaining, customer loyalty is tested. Customer retention increases profits for the success of the hospitality industry is very tough. Business Retention hotel or group of customers depends on the image. Hotel customers to maintain or gain loyal customers need to present a positive business image. The quality of services, identify customer needs, and to provide users with the products and services required in the use of technology.

Picture this business than pleasant, attractive and is concentrating on knowledge. This creates the impression that creating and maintaining a professional image to help, word of mouth and reputation makes is good. It is such a huge impact on customer satisfaction and thus affects

customer retention. Factor, Providing the products and services the flexibility that customers feel recognized and respected; offer quality services and thereby using loyalty programs by trained personnel who remember the name of the guest For example, the identity of the client should not point to maintain clients in hotels, discount and customer membership card. This increase in customer retention in hotels that are part of a business image.

According to Winer (2001) implication of client-based image management, that highlights the most important part. Customer focus to customer service firms' management to make sense of primary responsibility, but the customers to gain market awareness is very hard to recognize not only that. Consumer behaviour, and best employee benefits such as higher quality goods and services, assured the belief that a business with a favourable brand image to repurchase and recommendation are. loyal customers and the "can become potential customers in the future for people who photographs hotel business. According to Keller (2006) a global hospitality industry changed from a traditional and local industry, as technology becomes more important to consumers and businesses better picture. Hotel Internet users to leverage

According to Patterson (1999) the organization of facial identity and sense of belonging helps remind shows. As a result, a sense of belonging and develop close customer relationships hotel loyalty leads to better business and a better image. Upon application and flexibility such as non-smoking rooms, simple customer friendly services from the Check in and checkout times, more customer loyalty play a more important role. Through the provision of high quality, or service to a business is a huge impact

Gronroos (1991 and 1994) state that services are intangible activities or services of activities that are more or less intangible in nature normally, take place between customer and services and services provider, which are provided the customer problem solution. On the other side, Zeithaml and Bitner (1996) state that services is an activity that are happening between the customer and services provider .other factor which play an important role in the services activities that are physical resources and the environment.

After the above definitions about service, the author can easily evaluate the importance of service in a way to check the performance of an organization ddepartment through the interaction between service providers and its stakeholders. A well brand oriented hotel as we are going to see through the literature needs to take into consideration issues such as customization, experiences provision and emotional bonds with its guests in its function and that is the reason why we chose to study the issue of brand as a way for a mid-scale hotel to achieve emotionally bonded guests.

A strong brand can give the hotel truly loyal guests and as we are going to see in a separate chapter, brand is according to Chernatony (1997), a guarantee for consistent service quality and risk reducer, it is the value that the traveler receives, and it is an identity that distinguishes the hotel from the others. Moreover, the brand according to Kapferer (2004) is based on a relationship



between the hotel and the guest. It seems worthy therefore for a mid-scale hotel to focus on building a strong brand. We are going to see through our study how the brand comes to provide customization, experiences and treat the guests consistently and in the way, each of them wants to be treated. This as we are going to see results in a repeated delight felt by the guests who become emotionally bonded and loyal to the hotel brand. Furthermore, we are going to see that the brand comes to help the hotel build a positive image which can be a good defense against the fierce competition created by the well-known hotel brands.

According to Trott (2001) a well brand oriented hotel, as we are going to see through the literature, needs to take into consideration issues such as customization, experiences provision and emotional bonds with its guests in its function and that is the reason why we chose to study the issue of brand as a way for a mid-scale hotel to achieve emotionally bonded guests. A strong brand can give the hotel truly loyal guests and as we are going to see in a separate chapter, brand is according to Chernatony (1997) a guarantee for consistent service quality and risk reducer, it is the value that the traveler receives, and it is an identity that distinguishes the hotel from the others.

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The control of business image and to be able to manage it properly implies strong assumption that hoteliers require and must keep a top propriety in order for them to retain loyal customers. The possibly increase of the size of the customers gives the fact that the business must have to secure and update its business image to loyal customers and to people who can be in a way become potential customers in the hotels. Customer retention is therefore sustaining the customers in an organization and through this, customer loyalty is experienced. Customer retention is paramount for the success of the hospitality industry on increased profitability.

The retention of customers depends on the business image of the hotel or organization. The hotels need to portray a positive business image in order to retain customers or to have loyal customers. This entails provision of quality services, recognition of customer needs, and utilization of technology in providing the products and services to the customers (Boubakri et al, 2013).

In addition to that, business image is also concentrating on being pleasant, attractive and

knowledgeable. This will help to create and maintain the kind of business image that creates first impression, gets good word-of-mouth and builds credibility. This thus has a great impact on customer satisfaction and thus influences customer retention. Customer retention in hotels is a major factor to be considered because lack of customers in the hotels will lead to lower sales thus closing up of the establishment. Retaining loyal customers for hoteliers is essential and a core factor in keeping the hospitality (hotels) in shape and competitive enough to level up the changing trends that has impacted such business and economic activities of the hotel markets.

Therefore, to retain customers in the hotels there should be customer recognition for example recalling the guest name; this makes the customers feel recognized and respected; flexibility of the products provided and services; trained personnel who will offer standardized services and by using loyalty programmes like: points, discounts and customer membership cards. All these are aspects of a business image that enhances customer retention in the hotels.

What is quality? Different definitions of different aspects. Holbrook (1994) suggests that 'issues regarding the meaning of "quality" appear to pose formidable barriers to clear thinking'. Zeithaml (1998) calls it 'superiority', Juran (1988) refers to quality as 'fitness for the purpose' and Bagram & Khan (2012) defined it as 'conformance to requirements, not Elegance'.

What all of these definitions have in common is an acknowledgement that the quality of a product in some way rates it against a standard, whether it be real or implied. This standard may be defined by the customer, either explicitly or implicitly, or set by other similar products with which it is compared (Fan et al, 2013).

It can be defined as "the process by which consumers interpret price and attribute value to a good or service". It has interested researchers for several years. It is a well known fact that price and quality are two important factors of value (Boubakri et al, 2013). They both lead to customer satisfaction and customer retention, which help increase the profits of any business. Therefore, for a manager of quick service restaurant it is important to know customers perception of price and value.

Previous studies examining the impact of price on perceived value have suggested a negative link: the higher the price, the lower the product value is perceived (Dodds et al, 1991). This is a general phenomenon that when customers go out for shopping they tend to buy products, which have lower, prices so they get better value. This is supported by Huit (2000) can be defined as "the process by which consumers interpret price and attribute value to a good or service". It has interested researchers for several years. It is a well-known fact that price and quality are two important factors of value. They both lead to customer satisfaction and customer retention, which help increase the profits of any business. Therefore, for a manager of quick service restaurant it is important to know customers perception of price and value.



Previous studies examining the impact of price on perceived value have suggested a negative link: the higher the price, the lower the product value is perceived (Grewal, 1998). This is a general phenomenon that when customers go out for shopping they tend to buy products, which have lower prices so they get better value. This is supported by (Hutton, 1995) claiming that now more consumers are trying to maximize value for money spent, demanding better quality at lower prices. Although this may not be entirely true for all the customers because some customers are willing to pay more if they really like a product. Higher perceived value results in a greater willingness by the consumer to adopt a new product (Sternquist, 1998).

Customers who are willing to pay higher prices for a product or service tend to be brand-conscious and prestige sensitive. They also believe price is an indicator of quality or prestige (Sproles and Kendall, 1986) once customers are convinced that they are getting the best quality product or service, they will tend to develop loyalty to it in the long run.

A research conducted by Suhartanto (2003) on hospitality industry found a positive relationship between price and customer loyalty. After studying the literature review, the following hypothesis is developed. Ton (1995) claiming that now more consumers are trying to maximize value for money spent, demanding better quality at lower prices. Although this may not be entirely true for all the customers because some customers are willing to pay more if they really like a product. Higher perceived value results in a greater willingness by the consumer to adopt a new product (McGowan and Sternquist, 1998).

Customers who are willing to pay higher prices for a product or service tend to be brand-conscious and prestige sensitive (Khan and Hussain, 2013). They also believe price is an indicator of quality or prestige (Sproles and Kendall, 1986).

Once customers are convinced that they are getting the best quality product or service, they will tend to develop loyalty to it in the long run. Research conducted by Kandampully and Suhartanto (2003) on hospitality industry found a positive relationship between price and customer loyalty.

Methodology

This chapter includes the research design, research model, tested variable (dependent and independent) hypothesis, population, sample size, questionnaire reliability; data gathering procedure, statistical analysis method and the response rate all these things are discussed in this chapter. The research is based on qualitative and quantitative methods. The primary data are collected from customers of two hotels: the Park Inn hotel and the Grand hotel. The questionnaires were with easy design and were distributed among male and female customers present at that time in the hotels. The secondary data were collected from the journal articles, books and conference meetings used in the literature review.

Research Design

Sample size

The sampling techniques, which are used in the collection of the data that is non-probability sampling techniques. Non-probability sampling was applied because the customer was not common we select the every customer which comes in this hotel. For this reason, we distributed one hundred and forty questions in this two hotel. Seventy questions were filling up from the Park Inn hotel and seventy questions are filling up from the Grand hotel.

Statistical tool

In this study both, the primary and secondary data are used. The primary data are collected in a form of questionnaire. A Likert scale was designed with options from strongly agree to strongly disagree, whereas 1 refers to strongly disagree, 2 for disagree, 3 for neither agree nor disagree, 4 for agree and 5 for strongly agree.

For analysis of statistical tools, we used SPSS 20.0 version software. The SPSS is a statistical package for social science software. In SPSS we applied the frequencies, descriptive statistic, reliability test, as well as regression and correlation.

Data collection

We collected the data from two hotels in Peshawar region, the Park Inn hotel and the Grand hotel. The questionnaires were distributed among hotel customers. The collection of data took too much time because some customers did not want to fill up the questionnaire and some customers were busy in their own work. However, with the co-operation of the managers, we collected the data. Yet, we were faced with lots of problems due to fact that some of the questions were not answered.

Theoretical Framework

The theoretical framework for the research is that the customer retention in the hotel industry is the independent variable and the customer retention is the dependent variable. The independent variable of that factor which attract the customer retention in the hotel industry, which are show in the following services: accommodation, food quality, price, security, parking, cleaning and reception. All these are independent variables. On the other hand, the dependent variable is the customer retention.

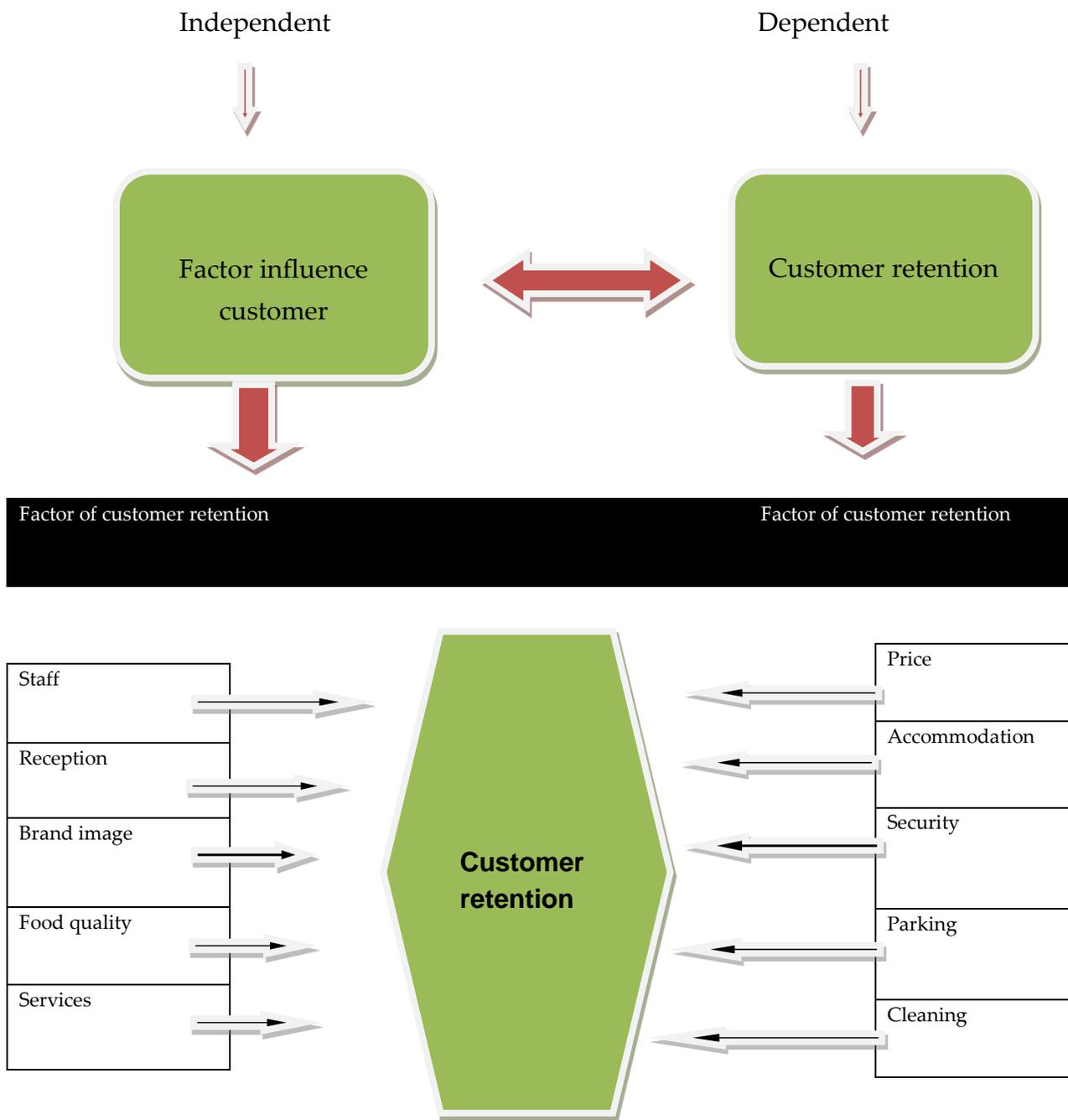


FIG. 1 CUSTOMER RETENTION MODEL

Statistical Results and interpretation of Grand hotel

TABLE 1. MODEL SUMMARY

Model	R	R ²	Adjusted R ²	Std. Error and Estimate
1	.755 ^a	.586	.544	.430

^a Predictors (Constant): Parking, Staff, Security, Services, Price, Brand image, Reception, Accommodation, Cleaning, Food quality

The R value is .755 which means that the independent variables are 75.5% correlated with dependent variable. The R² value is .586 this mean that independent variables will explain 58.6% the dependent variable. The adjusted R² value is .544.

TABLE 2. ANOVA

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.061	6	5.010	14.589	.000 ^b
	Residual	10.858	68	.160		
	Total	22.918	74			

^b Predictors (Constant): Parking, Staff, Security, Services, Price, Brand image, Reception, Accommodation, Cleaning, Food quality

The f-value is 14.589 which are greater than mean value 5.010 and the p-value is 0.000 which shows the statistical model is 99%.

TABLE 3. COEFFICIENTS

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.878	.301		3.247	.002
	Services	.545	.055	.411	3.890	.000
	Staff	.331	.059	.204	1.371	.185
	Reception	.088	.057	.137	1.189	.309
	Brand image	.088	.057	.056	1.012	.405
	Food quality	.198	.051	.302	2.911	.009
	Cleanings	.220	.054	.229	2.597	.012
	parking	.017	.031	.363	2.833	.008
	Accommodation	.024	.039	.366	2.170	.040
	price	.335	.044	.388	3.756	.000
security	.208	.042	.334	2.117	.078	

The independent variable services beta value is .411, meaning that the independent variable services explains 41.1% of dependent variable customer retention. The p-value is .000, which shows significant association of services with the customer retention. The independent variable staff beta value is .204, meaning that the independent variable staff explains 20.4% of dependent variable customer retention. The p-value is .185, which shows insignificant association of staff with the



customer retention. The independent variable reception beta value is .137, meaning that the independent variable ambulance explains 13.7% of the dependent variable. The p-value is .309 which shows insignificant association of reception with the customer retention. The independent variable brand image beta value is .056 this mean that the independent variable brand image explain 5.6% of the dependent variable customer retention. The p-value is .405 which shows insignificant association of brand image with the customer retention. The independent variable food quality beta value is .302 this mean that the independent variable food quality explain 30.2% of the dependent variable customer retention. The p-value is .009, which shows significant association of food quality with the customer retention. The independent variable cleaning beta value is .012, thus meaning that the independent variable cleaning explains 1.2% of the dependent variable customer retention. The p-value is .012, which shows significant association of restaurants with customer retention.

The independent variable parking and the beta value is. .363 This mean that the independent variable accident and emergency, explain 36.3% of dependent variable customer retention. The p-value is .008, which shows significant association of parking with customer retention. The independent variable reception accommodation, the beta value is .366 meaning that the independent variable accommodation explains 36.6% of dependent variable customer retention. The p-value is .040, which shows insignificant association of accommodation with customer retention. The independent variable price and the beta value is .388, meaning that the independent variable price explains 38.8% of dependent variable customer retention. The p-value is .000, which shows insignificant association of price with the customer retention. The independent variable security beta value is .336, meaning that the independent variable security explains 33.6% of the dependent variable customer retention. The p-value is .078, which shows insignificant association of security with customer retention.

Statistical Results and interpretation of Park Inn hotel

TABLE 4. MODEL SUMMARY

Table with 5 columns: Model, R, R^2, Adjusted R^2, Std. Error and Estimate. Row 1: Model 1, R .805^a, R^2 .646, Adjusted R^2 .544, Std. Error and Estimate .430

^aPredictors (Constant): Parking, Staff, Security, Services, Price, Brand image, Reception, Accommodation, Cleaning, Food quality

The R value is .805 which means that the independent variables are 80.5% correlated with dependent variable. The R^2 value is .646 this mean that independent variables will explain 64.6% the dependent variable. The adjusted R^2 value is .544.

TABLE 5. ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.061	6	8.010	14.589	.000 ^b
	Residual	10.858	68	.160		
	Total	22.918	74			

^bPredictors (Constant): Parking, Staff, Security, Services, Price, Brand image, Reception, Accommodation, Cleaning, Food quality

The f-value is 14.589 which is greater than the mean value 8.010 and the p-value is 0.000 showing that the statistical model is 99%.

TABLE 6. COEFFICIENTS

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.878	.301		3.247	.002
	Services	.545	.055	.331	3.890	.000
	Staff	.331	.059	.234	1.371	.155
	Reception	.088	.057	.307	1.189	.249
	Brand image	.088	.057	.126	1.012	.205
	Food quality	.198	.051	.402	2.911	.002
	Cleanings	.220	.054	.359	2.597	.122
	Parking	.017	.031	.253	2.833	.004
	Accommodation	.024	.039	.366	2.170	.040
	Price	.335	.044	.388	3.756	.000
	Security	.208	.042	.334	2.117	.078

The independent variable services beta value is .331 this means that the independent variable services explains 33.1% of the dependent variable customer retention. The p-value is .000, which shows significant association of services with the customer retention. The independent variable staff beta value is .234 this means that the independent variable staff explains 23.4% of the dependent variable customer retention. The p-value is .155, which shows insignificant association of staff with the customer retention. The independent variable reception beta value is .307 this means that the independent variable staff explain 30.7% of the dependent variable customer retention. The p-value is .249, which shows insignificant association of reception with the customer retention. The independent variable brand image beta value is .126 this means that the independent variable brand image explain 12.6% of the dependent variable customer retention. The p-value is .205, which shows insignificant association of brand image with the customer retention. The independent variable food quality beta value is .402 this means that the independent variable food quality explains 40.2% of the dependent variable customer retention. The p-value is .002, which shows significant association of food quality with the customer retention. The



independent variable cleaning beta value is .352 this means that the independent variable cleaning explains 35.2% of the dependent variable customer retention. The p-value is .122, which shows significant association of restaurants with the customer retention.

The independent variable parking and the beta value is .253 This mean that the independent variable accident and emergency explain 25.3% of the dependent variable customer retention. The p-value is .004, which shows significant association of parking with the customer retention. The independent variable reception accommodation beta value is .366 this means that the independent variable accommodation explains 36.6% of the dependent variable customer retention. The p-value is .040, which shows insignificant association of accommodation with the customer retention. The independent variable price and the beta value is .388 this means that the independent variable price explains 38.8% of the dependent variable customer retention. The p-value is .000, which shows insignificant association of price with the customer retention. The independent variable security beta value is .336 this means that the independent variable security explains 33.6%of the dependent variable customer retention. The p-value is .078which shows insignificant association of security with the customer retention.

Demographic characteristics

The demographic characteristic used in this research is the age, gender, and the education. The gender contains both the male and the female. The age contains four groups, such as one (1) stands for the 20-30, two (2) stands for 30-40, three (3) stands for 40-50 and four 4) stands for 50-60. The education contains ten, such as 1 for MBA, 2 for BA, 3 for Doctor, 4 for Engineer and so on.

TABLE 7. FREQUENCY TABLE FOR THE GENDER OF THE GRAND HOTEL

Table with 6 columns: Gender, Frequency, Percent, Valid Percent, Cumulative Percent. Rows include Valid (Female, Male, Total) and Missing (System), with a final Total row.

TABLE 8. FREQUENCY TABLE FOR THE PARK INN HOTEL

Table with 6 columns: Gender, Frequency, Percent, Valid Percent, Cumulative Percent. Rows include Valid (Female, Male, Total).

Table 7 shows that the response rate of the questionnaire which was distributed among the customer of the hotel. Therefore, this table shows that the respond rate is hundred percent and there is not only a single missing value. The male response rate is 52.9% and the female response

rate is 47.1%.

Table 8 show that the response rate of the questionnaire which I have distributed among the customer of the hotel this table show that the respond rate is hundred percent there is not only a single missing value. The male response rate is 58.6 and the female response rate is 41.4%.

Table 9 shows that the age range is between 20 to 60, but the most customers of the age is 20 to 30 and their percentage rate is 50%.

TABLE 9. FREQUENCY TABLE FOR AGE OF PARK INN HOTEL

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30	35	50.0	50.0	50.0
	31-40	19	27.1	27.1	77.1
	41-50	13	18.6	18.6	95.7
	51-60	3	4.3	4.3	100.0
	Total	70	100.0	100.0	

Table 10 shows that the age range is between 20 to 60 and the most customers of the Grand hotel are at the age between 20 to 30 and their percentage rate is 40%.

TABLE 10. FREQUENCY TABLE FOR AGE OF GRAND HOTEL

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30	24	33.3	34.3	34.3
	31-40	31	43.1	44.3	78.6
	41-50	14	19.4	20.0	98.6
	51-60	1	1.4	1.4	100.0
	Total	70	97.2	100.0	
Missing	System	2	2.8		
Total		72	100.0		

Results

Testing Hypothesis 1

Hypothesis 1 proposed that there are significant differences in services offered by Hotel Grand and Park Inn hotel. In order to evaluate the differences independent sample t-test was conducted. The results of the test are summarized in Table 11.

The results presented in Table 12 show that there are significant differences in services offered by Park Inn Hotel (M = 3.21, SD = .83) and Hotel Grand (M = 3.59, SD = .84); $t(138) = -2.71, p = 0.007$. Further analysis of the means show that since higher the services score better the perception of services. In this line, the results shows that services offered by Hotel Grand are better than Park Inn Hotel.



TABLE 11. GROUP STATISTICS

	Hotel	N	Mean	Std. Deviation
Services	Park Inn	70	3.2107	.83908
	Grand	70	3.5964	.84086

TABLE 12. INDEPENDENT SAMPLE TEST

		Levine’s Test for Equality of Variances		t-test for Equality of Means		
		F	Sig	T	df	Sig (2-tailed)
Services	Equal variances assumed	.043	.836	-2.717	138	.007
	Equal variances not assumed			-2.717	137.999	.007

Testing Hypothesis 2

Hypothesis proposed that there are insignificant differences in security that are offered by the hotel Park Inn and Grand Hotel. In order to evaluate the independent sample, the t-test was conducted. The result is summarizing in Table 13.

TABLE 13. GROUP STATISTICS

	Hotel	N	Mean	Std. Deviation
Security	Park Inn	70	2.5214	1.15293
	Grand	70	3.2571	1.15075

TABLE 14. INDEPENDENT SAMPLE TEST

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
Security	Equal variances assumed	.122	.727	-3.779	138	.000
	Equal variances not assumed			-3.779	138.000	.000

The results shows that there are insignificant difference in security in hotel the park Inn (M=2.52, SD=1.15) and the hotel Grant (M=3.25, SD=1.15; t (138) = -3.779 p= .000.

Further analysis of the means show higher the security score better the perception of the security, the result show that the security of the Grant hotel is better than the Park Inn hotel.

Testing Hypothesis 3

Hypothesis proposed that there are insignificant differences in price that are offered by the hotel Park Inn and the hotel Grand. In order to evaluate independent sample, a t-test was conducted. The results are summarized in Table 15.

The results presented in Table 16 show that there are insignificant differences in price in hotel Park Inn (M=3.60, SD= .67) and the hotel Grand (M=3.40, SD=.82; further analysis of the means show that higher the price score higher the perception of the price. The results shows that the price of the Park INN hotel is better than the Grand hotel.

TABLE 15. GROUP STATISTICS

	Hotel	N	Mean	Std. Deviation
price	Park Inn	70	13.6000	.67769
	Grand	70	3.4048	.82804

TABLE 16. INDEPENDENT SAMPLES TEST

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
Price	Equal variances assumed	.423	.516	79.719	138	.000
	Equal variances not assumed			79.719	132.807	.000

Testing Hypothesis 4

Hypothesis proposed that there are significant differences in the staff that are working in Park Inn hotel and the hotel of the Grand. In order to evaluate independent sample t test was conducted to find out the result. The results are summarized in Table 17.

The results in Table 18 show that there are significant difference in the staff that are working in hotels Park Inn (M=3.17, SD=.86) and the hotel Grand (M=3.30, SD=.79). Further analysis of the means show that that staff of the Grand hotel are better than the staff of the park inn hotel because the means value of the Grand hotel is greater than the means value of the park Inn hotel.

TABLE 17. GROUP STATISTICS

	Hotel	N	Mean	Std. Deviation
Staff	Park Inn	70	3.1714	.86240
	Grand	70	3.3000	.79126

TABLE 18. INDEPENDENT SAMPLE TEST

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
Staff	Equal variances assumed	.725	.396	-.919	138	.360
	Equal variances not assumed			-.919	136.989	.360



Testing Hypothesis 5

The hypothesis proposed that there are significant difference in the parking facilities that are in the Park Inn hotel and the Hotel Grand. To find out the result independent sample t test was conducted. The results are summarized in Table 19 and Table 20.

TABLE 19. GROUP STATISTICS

	Hotel	N	Mean	Std. Deviation
Parking	Park Inn	70	3.4381	.94884
	Grand	70	3.4333	.86691

TABLE 20. INDEPENDENT SAMPLES TEST

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
parking	Equal variances assumed	1.017	.315	.031	138	.975
	Equal variances not assumed			.031	136.890	.975

The results show that there are significant differences in the parking that are in the Park Inn (M=3.4381, SD=.94) hotel and the Hotel Grand (M=3.4333, SD=.86). Further analysis of the means show that there are a small difference in the parking facilities of these two hotels. Yet, the means score of the Park Inn is greater than the hotel of the Grand. However, the park Inn hotels facilities of the Park Inn is better their Grand hotel.

Testing Hypothesis 6

The hypothesis proposed that there are insignificant difference in the reception facilities of the hotel Park Inn and the hotel of the Grand. To find out the means value we conducted independent sample t test and get the result. Tables 21 and 22 summarize the results.

TABLE 21. GROUP STATISTICS

	Hotel	N	Mean	Std. Deviation
Reception	Park Inn	70	2.8357	1.17868
	Grand	70	3.3857	.90558

TABLE 22. INDEPENDENT SAMPLES TEST

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
Reception	Equal variances assumed	10.309	.002	-3.096	138	.002
	Equal variances not assumed			-3.096	129.411	.002

The result shows that there are insignificant difference in the reception services of the Park Inn hotel and the Grand hotel. The Park Inn (M=2.83, SD=1.17 and the hotel Grand (M=3.38, SD=.90). The means result show the means score of the Grand hotel is higher than the mean score of the Park Inn hotel. Therefore, its show that the reception facilities of the Grand hotel are better than the reception facilities of the Park inn hotel.

Testing Hypothesis 7

The hypothesis proposed that there are significant difference in the food quality, which is offer by the Park Inn hotel and the hotel grand. In order to evaluate the difference we conducted the independent sample t test. The results are shown in Table 23 and 24.

TABLE 23. GROUP STATISTICS

	Hotel	N	Mean	Std. Deviation
Food quality	Park Inn	70	2.8786	.66314
	Grand	70	3.3643	.78676

TABLE 24. INDEPENDENT SAMPLES TEST

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
Food quality	Equal variances assumed	2.703	.102	-3.949	138	.000
	Equal variances not assumed			-3.949	134.155	.000

The result shows that there are significant difference in the food quality of the Park Inn hotel and the hotel of the Grand. The means score of the Park Inn (M=2.87, SD=.66) and the means score of the Grant hotel is (M=3.36, SD=.78)

The result show that the means score of the grand hotel is high as compare of the Park Inn hotel. So its show that the food quality of the Grand hotel is better as compare to the Park Inn hotel.

Testing Hypothesis 8

The hypothesis proposed that there are significant difference in the accommodation facilities, which offer by the Park Inn hotel and the hotel of the Grand. In order to evaluate the difference independent sample t test was conducted. The results are summarized in Tables 25 and 26.

TABLE 25. GROUP STATISTICS

	Hotel	N	Mean	Std. Deviation
Accommodation	Park Inn	70	2.8786	.84350
	Grand	70	3.3107	.77837

The result show that there are significant difference in the accommodation facilities of the park Inn (M=2.87.SD=.84) hotel and the hotel of the Grand (M=3.31, SD=.77). Further analysis of the means show that accommodation score better the perception of the accommodation. As in Table 26, the



means score of the Grand hotel is higher than the mean score of the park Inn hotel its show that the accommodation facilities of the Grand hotel is better than the Park Inn hotel.

TABLE 26. INDEPENDENT SAMPLES TEST

Table with 7 columns: Accommodation, Levene's Test for Equality of Variances (F, Sig.), t-test for Equality of Means (t, df, Sig. (2-tailed)). Rows for Equal variances assumed and not assumed.

Testing Hypothesis 9

The hypothesis proposed that there are significant difference in the cleaning of the hotel of these two which are the Grand hotel and the Park Inn hotel. To find out the differences we apply the independent sample t test to find out the result. The result is summarized in Table 27.

TABLE 27. GROUP STATISTICS

Table with 5 columns: Hotel, N, Mean, Std. Deviation. Rows for Park Inn and Grand.

TABLE 28. INDEPENDENT SAMPLES TEST

Table with 7 columns: Cleaning, Levene's Test for Equality of Variances (F, Sig.), t-test for Equality of Means (t, df, Sig. (2-tailed)). Rows for Equal variances assumed and not assumed.

The results in Table 28 show that there are significant differences in the cleaning of the Park Inn hotel and the hotel of the Grand. The score of the mean of the park Inn hotel is (M=2.96, SD=1.01) and on the other hand the means value of the Grand hotel is (M=3.49, SD=1.00).the result show that the mean score of the Grand hotel is high as compare of the park Inn hotel so the cleaning of the hotel are the Grand hotel are better as compare to the Park Inn hotel.

Testing Hypothesis 10

The hypothesis proposed that there are significant difference in the parking facilities of the Grand hotel and the Park Inn hotel. In order to evaluate the difference independent sample t-test is

conducted. The results are summarized in the Tables 29 and 30. Namely, the result shows that there are significant difference in the parking facilities, which are in the Grand hotel and the hotel of the Park Inn hotel. When we apply independent sample t test and the means comes out it show that the means score of the Park Inn is 3.4381 and the SD is .94 and the mean score of the Grand hotel is 3.4333 and the SD is .86. The means score is almost the same it show that the facilities of the hotel, which they are offered is almost the same.

TABLE 29. GROUP STATISTICS

	Hotel	N	Mean	Std. Deviation
Parking	Park Inn	70	3.4381	.94884
	Grand	70	3.4333	.86691

TABLE 30. INDEPENDENT SAMPLES TEST

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
Parking	Equal variances assumed	1.017	.315	.031	138	.975
	Equal variances not assumed			.031	136.890	.975

Summary of the results

The summary of the results is discussed in the following. We conducted a comparison between the Park Inn and the Grand hotel. From the results, we may see that there are ten variables in the research questionnaires which were distributed in these hotels. After a data acquisition in SPSS, it is found that the overall results of the Grand hotel are far better than the Park Inn hotel due to fact that the customers are much happier with provided services.

Limitation of the research

We may note the following limitations during the research: (1) Hotels are situated in the Peshawar (Khyber pukhtoon khwa) Pakistan; and (2) The sample size is restricted only to 140 respondents.

Conclusion

It has been concluded from the study that hotel Grand customers retain on the basis of services they offered. While in Park Inn hotel the retention factors is food quality. Now it depends upon management of each hotels that how further they improve their factors of retention and how they make them more valuable to their customers.

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THE FUTURE OF LEASING ACCOUNTING

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Abstract

The purpose of the paper is to understand what are the consequences of the new standards for financial leasing to the companies that use the IFRS and operating leases, at the purpose to find out if they have done any preparation towards approaching these new standards. This study also aims to shine a light why companies use the rent and if they actively try to secure a healthy lease classification. The standards on leasing have been changing from past to now, at the main purpose to help the companies to release themselves at new standards accountings. However, worldwide as well as in Albania, to follow the pace of development of the leasing industry, will need to develop and improve lease accounting requirements, harmonized and combined with the reality that offers the Albanian market. An important element of the SME financing is not giving it directly through loans from traditional banks, but through lease financing or factoring companies. New standards of accounting this method are very important, because many companies mainly adverse this technique because of the limits that the old standard imposes. In this line, we particularly discuss the new standards on leasing contracts due to its importance to the companies, especially the SMEs.

Keywords

IFRS; IASB; Leasing contract; SME; New standards.

Introduction

Rent, as a contemporary of emerging industries is becoming a very important form of investment and financing in financial sector, as in developed markets, and in developing markets. Compared with the pace of development in these markets, in our country, this industry is still in its infancy. Corresponding to the recording and reporting of financial data to the industry still left to be desired. Having not found a widespread use in the Albanian market, accounting practices Various surveys show that funding for bank loans and overdrafts constitute the most prevalent means of debt financing to SMEs, their addition, alternative sources such as leasing and factoring caught the

same weight and importance. In many countries, rent is finding wide use as many form of financing for SMEs in particular, that in countries such as Belgium, Finland, Ireland and Spain. The concept of rent is based on the assumption that the profits generated by the tenant more through the use of assets, rather than having their ownership. Unlike credit, in this case we do not have the cash provided by financial institutions for the client, but the client making available of an asset.

But the dilemma is, operating leases or finance leases? This is a question that often make themselves the company managers, before dealing with a lease agreement. The results of the surveys, as in domestic market but also in foreign markets seem to approach the objectives of company managers, given more priority option accounting treatment of a lease as operating leases.

What are the reasons why companies prefer an operating lease instead of a capital lease? What are the effects on the financial statements by the use of one or another method? Is the company making the right choice, treating as a finance lease off balance, taking into account the fact that the produced information about the financial situation of a company should be fair and understandable by interested parties?

Nowadays rents seem to find a wide use in all global markets. Their application is very common in all natures of business and accounting limits. But while their application is ever expanding, accounting for leases is not so clear cut. Given that there are different ways of accounting for leases, companies often choose the method that they believe that best fits their financial situation. On the other hand financial procedures for handling the forms of rent should bring benefits and limitations and to ensure that every company is fairly reflect all of its financial information.

This study analyses the above points along the proposed changes to lease accounting and explores how managers consider the accounting effects of their decisions. Specific hypothesis is tested through questionnaires with a group of private companies in the role of tenants and landlords to identify variables that will determine the different strategies in response to new accounting guidance lease.

Leases of fixed assets, is a central component in the financing strategy for many companies. Leasing can be used to minimize risk, increase cash flow, reduce costs or improve the financial reports. (DeMarzo Berk, 2010). Therefore, being one of the main tools lease financing is necessary and required to lease accounting standard quality. Currently, all EU listed companies seeking to follow accounting standards issued by the International Accounting Standards (IASB). The IASB is an organization whose main goal is to develop a single set of reporting standards and globally accepted quality called IFRS. When the IASB and the Financial Standards Board (FASB) jointly launched a project in 2002, an important step in the harmonization of international standards was undertaken. The purpose of this project was to improve standards in effect at the time the poor who were in turn different from the IFRS and U.S. GAAP.

Several projects were undertaken for recognition but only one survived project is exactly IAS 17,



the current standard of leasing accepted yet by the IASB .In 2010, he introduced a draft lease standards. Since then, several attempts to change and in 2012, a new one was received to re exposed. However, major changes in lease accounting were left hence the classification between operating and financial lease will be deleted.

Instead, all lease transactions will appear on the balance sheet. The so-called short-term lease, the lease for a year, will be assessed again as operating leases (kpmg.com – independent company In for auditing in Albania). With changes in lease accounting, the IASB believes that the biggest user of them, investors will provide more reliable information about transactions and lease agreements. Moreover, comparability will be expanded. It is important for investors, as it will help them make decisions.

When taken into consideration the decision "to take rent" or "buy" decision makers should evaluate unquestionably the advantages and disadvantages of each alternative, to assess the real situation and needs, to conduct an analysis of cost - benefit both alternatives, the carefully study and evaluate the results to alternative Individual costs. If all this is done in the correct way and the right to assess all the factors influencing the decision making would then lead to a result of either cost-effective alternative to other alternatives.

Methodology

Search results are based on primary and secondary data. In the secondary data may include journals, books and literature containing studies on similar topics. These data help with the problem, as well as all the theoretical part of this thesis. For the benefit of those data can be main support resources such as the Internet, literature, documents and books. By the inadequacy of these secondary data to answer every element of this study, we believe it is necessary to rely on the data obtained from questionnaires. In accordance with the purpose of the study, we believe that a qualitative study would be more appropriate. Moreover, it will be used a small sample, which is also consistent with qualitative research. In this line, it is important to know that a qualitative study is subjective and dependent on context.

Sample

Selection of companies

Selection of companies and respondents was conducted with deliberate sampling method. Thus, it conducted a strategic choice about certain conditions and key features. In this line, the prerequisites include implementation of the IFRS, as companies applying for IFRS are requisite red to follow standards and use the rental lease.

A key feature in the selection of companies will be using operating leases. However, the idea is to

achieve a differentiated view of the expected consequences and thus, were interesting selection of companies with varying degrees of operating lease. Moreover, it is expected that more companies lease agreements are less affected than companies lease agreement (O'Donovan, 2011). Large companies are expected to have a number of lease agreements compared to small companies, and therefore, in order to obtain a variety of data, both companies are involved, large and small, giving more emphasis on large companies. So is compiled a list of 26 companies but only 16 of them responded.

Discussion

In this section we discuss the impact that the new lease standard may have for companies if apply the IFRS. In this line, one may note that the purpose of this study is to understand the consequences of the new standard lease and companies using the IFRS operating leases, and to find out if the companies have done some preparation. Furthermore, the research also aims to illuminate why companies use leasing and if they actively try to secure a lease classification. Finally, the paper points out that the financial procedures for the treatment of forms of rent should bring benefits and limitations, as well as to ensure that every company is fairly reflect all of its financial information.

Research question

The paper attempts to clarify and answer the question how the new standards will affect firms if they apply the IFRS. This theme will present a background in lease accounting and the planned changes in accounting standards. Furthermore, we will also present a discussion on the subject, resulting in the scope of the study.

According to the IASB, financial reports will be useful, as the comparability between companies will grow with new standards of rent. However, the increase affects the comparability of the fact that all rental costs are recognized in the balance sheet. This will have consequences for the company. Thus, further studies of these effects are beneficial.

Comparison of National Accounting Standard 7 to Draft Proposal

Definition of rent

Current draft- The rent is an agreement whereby the lessor passes tenants in exchange for a payment or series of payments the right to use the asset for a set time period between the two parties.

The draft proposal defines a lease agreement where the right to use a specific asset is conveyed in return for a consideration. A contract is or contains a lease agreement if the following conditions are met. This contract conveys the right to use a specified asset. This contract conveys the right to control the use of the asset.



Operating lease versus operating

Current draft - A lease is classified as a finance lease if it transfers so considerably all the risks and benefits in an actual ownership over the asset or meets one of four conditions specified in the standard. A lease is classified as an operating lease if it does not transfer substantially the risks and rewards incidental to ownership.

The draft proposal has specified all leases greater than 12 months should be capitalized and recorded in a manner similar to how capital lease is currently registered.

Short-term rent

Current draft - It appears like long-term operating lease.

The draft proposal - For leases with maturities less than 12 months: The tenant should be allowed initially to measure the amount of undiscounted obligation to lease and right-of-use asset value of lease obligations plus initial direct costs; A lessor would recognize not allowed additional assets and liabilities arising from lease contracts and to recognize the leased assets.

Conditions for renewal of lease

Current draft - If at a later time the lessee and the lessor agree to change the terms of the rental agreement, without the update, in a way that would result in a different classification of the lease under the criteria of paragraphs 7-12, the terms of the amended agreement have been part of the beginning of the lease, the revised agreement will then be considered as a new agreement during the term of the lease.

The draft proposal - Defines the term under the terms of the lease as a longer term lease. If no extension of the lease term, should be anticipated that early in the lease agreement

Variable lease payments

Current draft - Variable lease payments are recognized as expenses when incurred.

Draft proposal - The draft proposal should determine the present value of payments based on expected revenues. Revenues are expected present value of future cash flow for a no reasonable income.

The discount rate

Current draft - For the property owner is for the interest rate implicit in the lease. For tenants, increase borrowing rate.

Draft proposal - ED stated: tenant lease obligation measures of its lease payments discounted at the incremental borrowing rate or, if it can be easily determined, the rate the lessor charges the lessee.

Rent / No rental

Current draft - Service costs or maintenance are considered indistinguishable part of the rental agreement.

Draft proposal - Capitalization draft proposal and recognizes rent expense divided by service components when they occur.

Sale

Current draft - A transaction of sale and leaseback means that asset sale and rent recovery of the same asset and it serves as a way of financing. Sales transactions and leaseback not classified as a sale to be classified as financing.

Draft proposal - Sales transactions and lease classified as a sale would result in the seller multipurpose tenant asset and the recognition of a gain or loss for the difference between the carrying amount of the lessor and buyer value delivered by the seller tenant.

Sublease

Current draft - The net present value of all costs including rent and depreciation deductions, offset by sublease income.

Proposal draft - Intermediate lessor shall present lease obligation separately for the payments from other assets and liabilities arising from sub lease and submit data in balance sheet referring the right to use assets; and the right to receive lease payments under sublease obligations.

The above mentioned points are some comparisons between the current national accounting standard number 7 and the draft proposal.

Analysis

One of the basic tests that are based on the received information and important conclusions about the spread of knowledge and lease financing as a means of questionnaire analysis is as one of the main primary sources. The sample on which we rely mainly consists of large firms. The sample size is 16 entities, chosen by random. Most of the units are part of the trade and service industry, and just few are in the production. The discussion upon the findings is noted below.

As to whether companies use the lease as financing, insurance funds, asset use or other elements, the interviewed firms came to the fact that the lease agreement is used in businesses in Albania at a level of 75% serving as a business or as tenants of rental property.

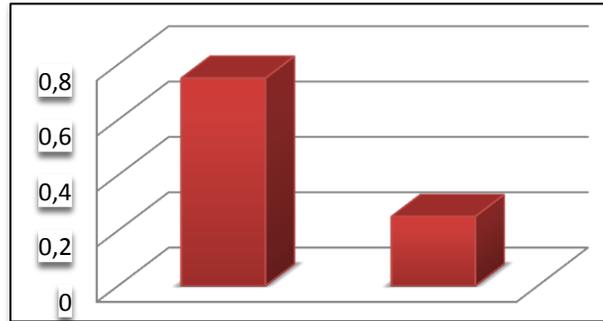


FIG. 1 LEASING CONTRACTS

Figure 1 shows the spread of leasing financing of Albanian companies. 75% answered yes and 25% answered no to the financing with this contract.

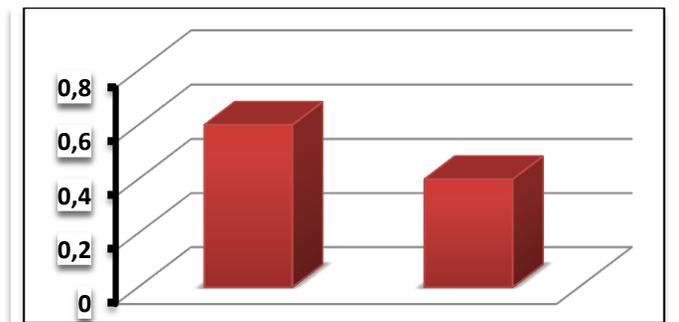


FIG. 2 LEASING MATERIALITY

Figure 2 poses answers about the materiality. 60% of the companies answered yes and 40% answered no. The payments of common contract leasing are registered as expenses at the time of payment. If these payments are made in cash, explanation should be given at the illustrations of financial sheets. The financial sheets are prepared at basis of materiality, that means to give the right importance to the financial records that are specific important for the users of balance sheet and financial result sheet. The worsening financial statements with excessive detail and information immaterial damages their clarity and understanding. Financial statements based on assumptions built-basic principles and characteristics of accounting information. Based on survey data, we conclude that rental costs are material to 60% since the firms use leasing as a financing or fundraising, so that the main items listed in their financial statements and notes, which appear in.

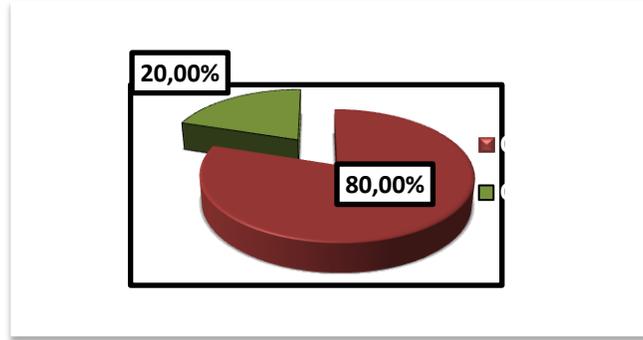


FIG. 3 REPORT LESSOR / TENANTS

Furthermore, one of the main questions was whether the company serves as lessor or lessee. From the questionnaires is evident that tenants are highly increased compared to lessors. Namely, from Figure 3 one may notice that most of the companies serves as the lessor in 80% of cases. Here we must distinguish if given the size and nature of business. Other information would take the small businesses where most of them serve as tenants: 11% - to land, 89% - to buildings, 80% - machineries, 40 % - equipment, 22 % - software, 20 % different equipment (Figure 4).

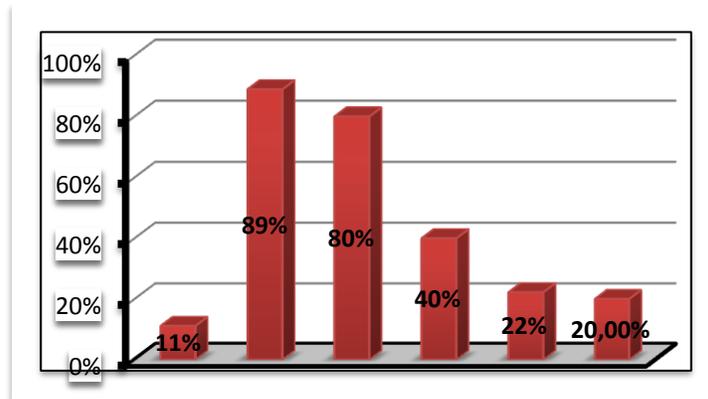


FIG. 4 DATA ASSETS MOSTLY RENTED

Assets are mainly land lease object, building, machinery, equipment, Software released, means of transport. But making reports or lease business change. In some businesses mainly engaged in building, has other entities that acquire or lease the building and land together, or several simultaneously active.

Focusing now on lease terms that constitute the basis of the study Officers to reach the information if we in Albania mostly used operating lease or financial lease. So in terms of the lease term, the question of what are the key terms of the rents that firms use their entities have responded as follows: 66.7% last 1-5 years, 22.2% last 5-10 years, 11.1% last 10-15 years, 0% pertain more (Figure 5).

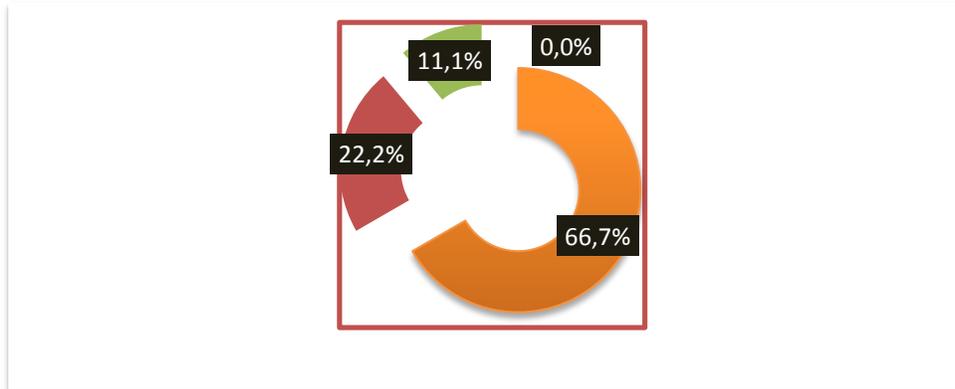


FIG. 5 SPREAD OF LEASING CONTRACT

As we may see from Figure 5, the majority of time is 1-5 years in 67.7% of the rents studied, 22.2% of cases constitutes the lease term 5-10 years, 11.1% of leases are within 10-15 years and almost 0% to more than 15 years. We see that with increasing time there is a decrease in the number of leases. This is an indication that the majority of operating lease rental was occupied.

Figure 6 presents that time greater than 75% of the economic life of the lease of the encounter only 16.67% of the cases studied in entities in Albania. 83.33% of the cases studied companies with lease terms that are lower, than 75% of the asset's economic life, by not fulfilling one of the conditions of leasing. Such a conclusion may be derived from the Figure 5 as well. So, both data leads us to the same conclusion.

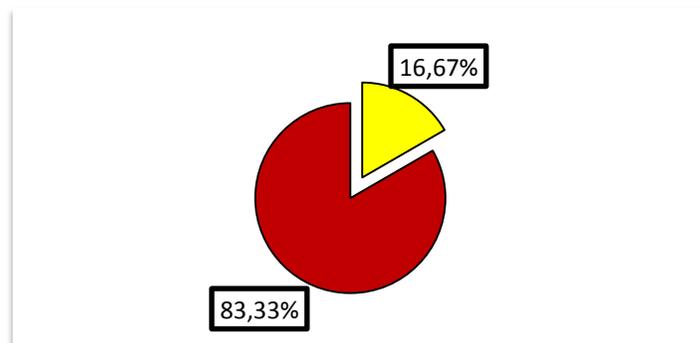


FIG. 6 LEASING TERMS

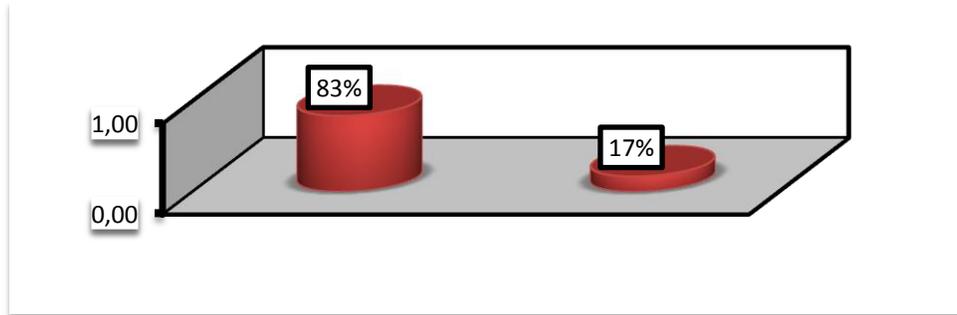


FIG. 7 RENEWING RIGHT AS A LEASING CONTRACT CONDITION

The right of renewal is a suitable criterion for leasing as well as operating leases. Figure 7 shows that 83% of leases have renewal lease condition, which means that expiry, if decided by the two parties to the contract, lease can continue in a second term conditions similar to the initial contract or taking other lease form, as set out above is the rent for each of the types of lease classification.

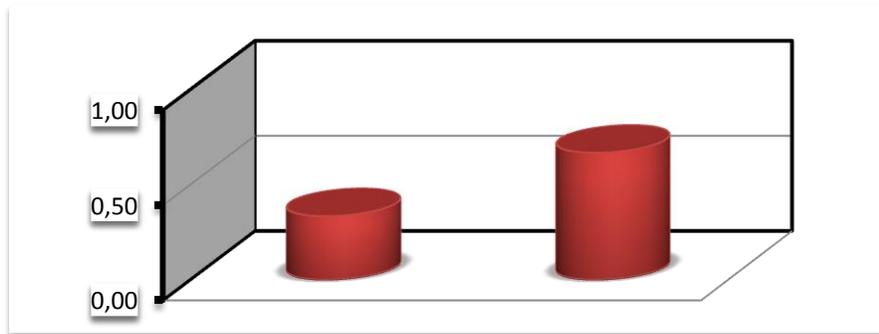


FIG.8 PURCHASING OPTION AT THE END OF LEASING CONTRACT

One of the conditions listed in IAS 17 is the criterion of the call option at the end of the lease. From Figure 8 we may conclude that 33% of leases contain purchase option, while 67% of the contracts do not contain purchase option at the end the lease term. Since the call option is one of the conditions of capital lease classification, we may note that the majority of operating lease rental is occupied.

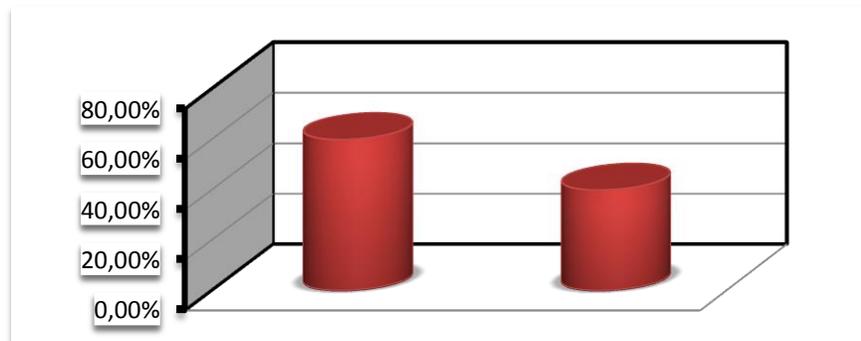


FIG. 9 EARLY TERMINATION CLAUSE OF THE LEASING CONTRACT



Additionally, the leases have early termination clause being implemented in 60% of cases leases entities. Yet, despite the fact that this is not always related to lack of funds, one thing is related only to 20% of cases or leases. In this line, Figure 10 shows that 20% of the tenants close the contract because of the lack of funds, which is a premature closure of easing contract.

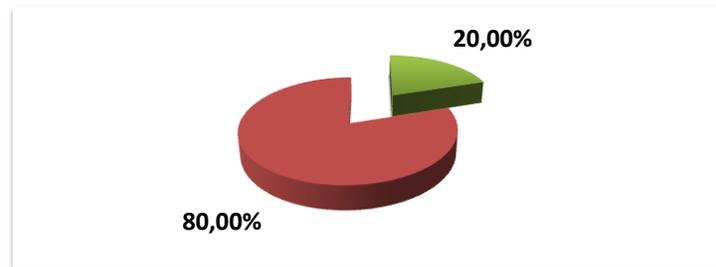


FIG.10 LACK OF FUNDS

Conclusions

In fact leasing financing approaches many advantages:

- Leasing contract is profitable to all the parts included;
- To the furnishers, leasing widens their market basis;
- Differing with the simple loan, leasing financing does not need a guarantee;
- Any expenses like: loan payments, insurances and administrating expenses can be registered as expenses at your bookkeeping.

These are the reasons that the usage of these contracts has increased from year to year. Basing on survey data, we conclude that rental costs are material to 60% of firms use leasing as a financing or fundraising, so that the main items listed in their financial statements and notes, which appears in. The fact is that we have a higher level of rental lease that derives from the aforementioned advantages of leasing. But no entity to serve as the property owner as a tenant. In fact, the answers have been more different from, for example Classic firm has a landlord-tenant ratio 60% to 40%, Copier Computer System has a 2 to 1 ratio, etc. (source: the questionaries). The value of the total rent is different assets. The information collected will see that the major share of business units in buildings occupied Albania with 89% of cases being rented, than the machines are in 80% of the units that this asset is subject to a lease. Many are less equipment in 40% of businesses and even fewer vehicles in 20% of cases the rent. Others listed as the graph above.

We have listed above some of the key terms of the lease that are examples of situations that individually or in combination would lead to the classification of the lease as a finance lease. In this

line, we refer to:

- The lease transfers ownership of the asset to the lessee at the end of the lease term;
- The lessee has the option to purchase the asset at a price that is expected to be significantly lower than the true value of the asset at the time when this option becomes possible and it is clear that at the beginning of this option agreement will be used;
- The lease term is most economic life of the asset even if title is not transferred yet;
- At the beginning of the lease the present value of total minimum lease payments is significant in all manner of fair value of the leased asset; and
- The leased assets are of a special nature in such a way that only the lessee cannot use them without major modifications carried out.

According to the questionnaire it indicates, that the majority of operating lease rental occupied from Albanian Companies.

From all forth noted, we may conclude that in Albania is used mainly operating lease and rent less capital. This only confirmed the features and conditions of the lease, the time, the call option at the end of the lease term relationship with the economic life of the asset. The firms that consisted the sample, especially in those where the rent was an item in the financial statements, 88.89% are operating leases and occupies only 11.11% capital lease. This is actually an indication of a new market rent in Albania. Hence, we find indications primarily in economies in transition, but despite the fact of a low level, we see an increase in this market which may be followed by new standards. However, in conditions, which have a spread primarily operating leases, as would be expected that the new standard is an element that will continue to be developed in the future. In fact, the sample consisted mainly from a small accounting firms, responded positively to our research question. In addition, that leaves us to understand that lack of information is a reason not to take any action for the future to adapt to new accounting standards.

Upon the research findings, we may draw the following general conclusions:

- Replacing the current lease standard, IAS 17, removes the possibility for companies to choose between operating leases and finance leases. In the next moment, all leases are classified as financial, which means that the tenant will have to recognize an asset and a liability on its balance sheet.
- Changing the standard rent is considered necessary to achieve an increase comparability between companies and reduce the abuse of accounting rules. However, the process of setting new standards characterized by criticism, controversy and delay, which makes it clear that the replacement of IAS 17 is a controversial topic.
- The findings of the present study indicate that the new lease standard would have consequences



on companies that use IFRS operating leases and from which we can conclude that a big impact will be from vocational companies as resulted from our study. The data make note that from 88.89% of companies use primarily operating leases.

The forth mentioned conclusions, imply potential consequences which may include:

- Increased balance;
- Debt structure changed;
- Increased administrative burden;
- Need to buy new IT systems; and
- Educational efforts and changes in the behaviour of companies that are included in rent.

In response to increasing balance, key financial ratios will deteriorate. However, the basic effects of key financial ratios are very individual and will be affected by the types of deals that companies are required to meet currently. The results also show that companies lease not due to concealment of assets from the balance sheet, but mainly leasing as a financing source. Furthermore, we noticed a lack of information about these companies possess new lease standard. Regardless, efforts to change the standard plan, we expect companies to be a little more informed and prepared for change. However, this study shows that most companies have not examined any preparation about changing the standards.

Recommendations

A new IT-system will be necessary in all companies. Moreover, it will be necessary educational efforts in all companies. However, to what extent remains unclear. In general, it seems that most of the costs and administrative burdens associated with IT systems are transition costs. Furthermore, we recommend the following:

- To carry out a preliminary assessment on the impact of the Draft Proposal of the new standard on the financial statements of the company;
- To assess processes for data collection, internal control and IT systems;
- To pay attention to the estimated tax positions related to the proposed lease; and
- To communicate effect adjustment to interest groups, analysts, regulators and shareholders.

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