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EDITOR

ZOLTÁN VERES

Pannon Management Review

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EDITORIAL:
ROLE OF MEDIA IN CONTEMPORARY
CORPORATE PRACTICE

Dear Reader,

The second issue in 2014 of Pannon Management Review you are holding in your hand is focussed on a really timely phenomenon of our environment, i.e. web-based communication and its forms used in businesses. In today's corporate practice, the Internet multiplies the channels of communication which start leading an independent life that companies can hardly control any longer.

In her collection of essays *A világhálóba keveredett ember* (The Man Who Got Involved with the Web), Ágnes Veszelszki asked 77 experts to answer the following question: How has the Internet changed the way you think? Being one of the 77 respondents, I gave the following answer.

It is difficult to answer this question mainly because it requires an extraordinary effort to recall the state when we were still living in a world without the Internet. It sneaked into our lives almost unnoticed and by the time we were able to recover, it became irrevocably a part of our day-to-day activities. Due to its abstract nature, I cannot even tell clearly what my thinking in the pre-Internet era was like. Thus, the brief description below is just mostly fictitious, i.e. an experiment into what I think of my way of thinking and its changes, in particular. I wouldn't call it development, because that would imply some positive direction – in a mathematical sense, naturally, a negative development, i.e. a regression is also a form of development. Thus all I can do is formulate the hypotheses describing this change.

Appropriately, though not in a very sophisticated manner, let us look at what the Internet can tell us about thinking. According to the Wikipedia entry for the word, *thinking* is an "action of the mind aimed at looking for a solution to various problems. The act of thinking indicates that there are one or more unsolved problems in the mind of the thinker..." There are different approaches to thinking. The behaviourist school considers it as some sort of "silent" behaviour, cognitive psychology as a *heuristic (discovery) process*, i.e. a problem-solving method that works by using previously acquired experiences, whereas according to anthroposophy, thinking is a mental activity directed at *cognition*. The evolutionary school explains it based on how language evolved and states that grammar "helps to relate things and events on the

mental map of relations". Thus, the question is how the Internet has changed, if at all, my capabilities for problem solving, discovery, cognition and use of language.

Let us look at problem solving first. It is evident that we think of the Internet – as a formerly inconceivable measure of masses of information – as a resource which has significantly increased the speed of problem solving. However, in a more subtle approach, access to information is blended with the illusion of accessing information. I am not only and not mainly thinking of the dilemma of controllability and uncontrollability but that the doubtless abundance of information suggests that this problem is "solved". I am also inclined to use the web and only the web to look for the information base of problem solving. Consequently, the problem-solving nature of my thinking has changed in that I use more information (often of uncertain quality) to indentify a problem, explore analogue solutions and acquire the method of problem solving. The risk involved in the quality of information has, of course, amplified risk management reflexes as well. We need to learn to be critical of sources, i.e. to assess such information appropriately. My experience in scientific work might be the reason, but in addition to exploiting the tempting possibilities offered by the Internet, suspicion is my first reaction to information from the web. I regard this as a significant change in my problem-solving thinking.

Thinking as a heuristic form of some silent behavioural mechanism sees the solution of problems in intuition (or to use a more appropriate term, in discovery). In case intuition based on previous experience leads to a solution, this might be indirectly related to the Internet and is unlikely to induce a change in thinking. However, the online knowledge base is gaining more and more ground in the cognitive process. We know that mental cognition is an abstract reflection of reality. With the help of thinking we are able to make generalizations and find an answer to *Why*? questions. As a rule, mental cognition is triggered by sensory cognition. I feel that the Internet functions as a catalyst in this process. It is a source of perception that stimulates the receiver in an almost unlimited manner. This environmental effect has undoubtedly changed my everyday life. Before the advent of the Internet, my relationship with reality was mostly real-time and tangible. As far as understanding the world is concerned, the virtual stimuli available via the Internet take up today a much larger share in my time balance than the tangible reality. But more importantly, real and web-based stimuli are in constant interaction with each other and lead, in my case, to some kind of total cognition. "Total" compared to pre-Internet cognition.

Finally, to the question if the world-wide web has caused a significant change in my linguistic competence guiding my thinking. It by all means has insomuch that the development of colloquial language is occurring right before our eyes on the Internet. Due to the interac-

tivity of communication, I experience my involvement as a learning process. What kind of linguistic logic guided my thinking in the time before the web, I can no longer tell. In my surroundings there is always at least one person who is online. I must almost force myself to get into some kind of retro mood. Or I need a small nook where there is no service...

In the same volume of essays, the co-author of this issue, Katalin Fehér writes the following:

The new logic that develops the social and open systems and exceeding classical company models in terms of profits in the business world has grown out of the Internet, the world-wide web and the online and virtual world. A tool developed for military purposes has become a democratic medium, then an online marketplace and many other functions have built up layer by layer. Our reality is being continuously digitised or virtualised and this has repercussions on reality... Our perception, reception, processing and response constantly interpret the technological environment that we create, but the basis of this is provided by earlier routines and mechanisms.

The Internet and thinking can be linked to the notion of *network*. We are surrounded by friends, acquaintances, reference networks, communities, and even business networks and other complex networks. Self-organising networks using algorithms determine the current appearance of the web which continuously rearranges itself. New nodes are linked to older ones and others are detached. The network is thus a resistant, scale-free complex network both in thinking and on the web.

The above thoughts are reflected in the selection contained in this issue. Attila Bátor and his co-author Zoltán Lengyel in *Performance based online marketing in theory and in practice* put across that in the last decade online has become one of the most important communication and acquisition channel in several industries. That's why business decision makers want it to be optimized and tailored made to the needs of the company. So performance driven online channel optimization has become a key success factor in marketing field these days. Communication and acquisition performance needs to be measured through sophisticated measurement systems. As theses measurement systems are very complex and produce tremendous amount of data, finding the right conclusion is not easy. Based on this set of information right indicators have to be found, right trends have to be identified and continuous optimization is needed continuously. The above mentioned criteria require complex business vision and courage in decision making. In practice there are numerous techniques that help us finding the best solution which results the best possible online performance. Performance

based online marketing theory is about to describe the details of the mentioned problems and the potential solutions.

Katalin Fehér and Zoltán Veres introduce the Reader to the world of business networking in their article of *Business network competences after the digital turn*. As compared to the traditional network studies this article can successfully combine the different viewpoints of networking, info-communication technology, business marketing and management. Their research is a proof on the assumption that – despite of many "trendy" stereotypes – nowadays the corporate investment into online networks is fairly limited. It is limited but well-focussed according to its expected (or more "presumed"?) utility.

Following the PMR traditions – publishing portraits of companies and individuals whose performance is illustrative of management achievement – in this issue, we feature an interview with the manager of a world famous multinational company. He is Laurent Kornfeld, General Manager of Luxury Products Division at L'Oréal Hungary. In the interview titled *"Media is very important because luxury is about storytelling..."* we can have an insight into the culture of the company and into the story of an exciting international career. Looking back at his last twenty years working for L'Oréal, he discusses the issues of international business development and the intercultural philosophy and practice of a human dimensioned giant. In the interview Laurent Kornfeld presents a deep analysis of the media management of the different divisions with different business models at l'Oréal Hungary.

And we offered a publication opportunity to a young researcher in this issue as well. This time we have chosen Zsófia Márta Papp's article *Tourism destination management for competitive Hungarian tourism destinations*. This young researcher deals with a topic and its theoretical and methodological issues that might be of interest. On the one hand, development policy places special emphasis on tourism, it is enough to mention health tourism and the support for spas or rural tourism. On the other, few findings from such a complex and multidisciplinary approach exist in Hungarian literature in connection with the competitive strength of tourist destinations. In this paper, she needed to process in addition to tourism literature the related findings of regional economics as well as Porter's management theory. Zsófia analyses the models applicable to the competitiveness of tourist destinations and takes the pyramid model a little further. After determining and defining tourist destinations, she turns to coordinating destinations and the need for TDM organizations and then she presents the issues and models of competition and competitiveness.

In the hope of your future contribution to Pannon Management Review we are convinced, that in this renewed issue, you can find, Dear Reader, a lot interesting of a special dimension and an undoubtedly hot topic of management science.

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He worked as project manager of numerous international industrial projects in the Mediterranean region (e.g. Greece, Middle East, North Africa) between 1977 and '90. Since 1990, he actively participates in the higher education. In 2011 he was appointed professor of Marketing at the Budapest Business School (BBS), Hungary and between 2010 and 2014 he was also Head of Research Centre at BBS. Since 2014 he is Head of Department of Marketing, at the Faculty of Business & Economics of the University of Pannonia, Veszprém, Hungary. From the beginning of this year he is the editor of the Pannon Management Review.

Zoltán Veres has had consultancy practice and conducted numerous research projects on services marketing and project marketing. In 2001 and 2002 he was Head of Service Research Department at the multinational GfK Market Research Agency. He is member of the research group European Network for Project Marketing and Systems Selling, Lyon; Advisory

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ATTILA BÁTOR – ZOLTÁN LENGYEL

PERFORMANCE BASED ONLINE MARKETING IN THEORY AND IN PRACTICE

Performance based marketing enables the marketing managers to promote a product or service on other people's web sites but to only pay when the advertisement initiates an action. The ability to directly measure the results of Internet marketing has transformed marketing models. Ever since 1905 when John Wannamaker, the founder of WalMart, lamented, "I know that half of my advertising dollars are wasted, I just don't know which half," it has been the merchants dream to make advertising accountable (Lingham, 2007). Nearly 100 years later, Internet technology, with its ability to track advertising all the way to the sale, has enabled a marketing model that makes this possible. On the Internet, marketers know which advertising works, and which does not. Banner advertising does not work, it has low click-thru rates. Until recently online advertising was a buyer's market with about 80 percent of inventory unsold. Now smart marketing pays only for advertising that provides a positive return on investment. Publishers, who can also measure the effectiveness of advertising, can now demand the true value of their audiences.

Introduction

This paper presents data in connection with online marketing activities and the old and new solutions in this field of the advertising. According to the experience of the huge marketing agencies the changes in our world have put the whole industry under pressure. If these agencies would like to manage the changes and keep their advantages they have to analyze the market and the behaviour of the customers. The managers have to monitor their advertising spending effectively, which means measurability and accountability has become more and more important in the marketing industry.

In the opening section of this paper we will review all of the opportunities within that field of advertising and then we provide some suggestions for how to go further and consider which ways could be the best for the companies to improve their marketing tools. The paper will take into account the influences of developments in performance based marketing, online functions, tools, trends, lead and affiliate marketing.

What is performance-based online marketing?

Before the Internet one of the main difficulties in the advertising industry was how to adequately address the question of effectiveness. In the traditional media the information flows only in one way, from the advertiser through the media to the costumer. There is a low number of options for the advertiser to obtain any response from the media consumer because of their indirect relationship therefore the advertisers cannot justify their budget opportunities (Yu Hu, 2005).

Contrary to traditional media advertising web marketing can be a much more accountable and measureable medium. The Internet gave the advertisers and publishers the opportunity to track the audience reaction to their advertisements through different interactivity metrics, such as click-through, unique visitors, average viewing time and purchasing. It creates direct relationships and allows for direct responses between the advertisers, publishers and the consumers. This, in turn, means that the advertisers can measure their direct achievements from their advertisements and they can pay just for them. Following Dainow (2008), this has been called performance-based advertising: "*The ability to record people's behavior online means advertising can be assessed in terms of the behavior people exhibit after being exposed to an ad. It then becomes possible to pay for the behavior instead of the mere delivery of the ad. This is called performance-based advertising.*"

The Evolution of Performance-based Online Marketing

Nowadays the marketing managers are under increasing pressure to show measurable and positive Return on Investment (ROI) on their advertising expenditure. Over time, because of this pressure for financial accountability managers have become reluctant to speculate and have sought greater certainty, being willing to pay for advertising which would produce specific and accurate results. As Fenlon and Swartz (2012) wrote, the first pricing model in the early age of online marketing was the cost per thousand impressions (CPM). In practice this should mean that the advertiser pays the publisher a price determined by the number of views. This pricing model used to apply in the traditional media, such as magazines and newspapers.

The next step was the cost per click (CPC). In this pricing model the advertisers only paid if the advertisement was not only seen but provoked a response (in this case, a click). This method was able to guarantee that the consumer had made an initial reaction and acted on something in the advertisement.

The next evolutionary steps were the cost per action (CPA) and cost per lead (CPL). In case of CPA the advertisers pay only when the consumers make the desired action (purchasing) beyond the ads. CPA was suitable for increasing the measurement of cost efficiency to a higher level. In this case the consumers go through a process (it may mean more web pages, filling out a form, making a transaction) until they reach the final goal of the advertisements. This is a significant step because all the advertising expenditure which can generate desired action/purchasing can be monitored.

CPL moves the measurement forward because: "A lead is an expression of interest by a consumer in an advertiser's product or service offering and, in the online advertising world, is quantified by the completion of an online form on an advertiser's or aggregator's site" (Fenlon and Swartz, 2012). The advertisers are willing to pay an amount of money for these leads too, because these consumers express their interest in the product or service and rather than buying the advertiser's product or services immediately may be of future benefit because of their interests.

Cost per transfer (CPT) allows for the bridging of the gap between online advertising and offline sales. The consumers express their interest by completing an online form or calling a number which was given in the advertisement. The software gathers the information and transfers it to the advertiser's call centre in real time. The call centre agent calls the consumer and if it is necessary the representative transfers the call to the sales department. This model is known for its high efficiency (the same human resources reach higher sales in a given period of time).

The final stage in this evolution so far is the (mobile) pay-per-call (MPPC/PPC) where the advertisers place mobile advertisements and applications on smart phones or the publishers' websites. When the consumer sees the advertisement, they can click on it. This click makes a real-time call to the advertiser's call centre where the sales process starts. This method is very similar to CPT but the main difference is that it can reach the consumers anywhere (on the street, in their workplace or restaurants not just in front of their PCs or in their homes).

Nowadays marketers use the CPM in a lot of places, for example the CPM is perfectly suitable when the main goal of the marketing activity is not to simply increase the sales but to improve the awareness or to distribute information about the product or service to the entire or the greater part of the target group.

The future of performance-based marketing

Performance-based online marketing has a strong future. Companies with excellent marketing reputations are typically prioritizing their advertising budgets for the forthcoming three years according to ROI analytics and measurability. It is also worth highlighting that market leading companies appear to be more likely to invest in the variety of analytical tools which will help them to assess their marketing performance than non-leading companies (Gröne et al, 2010).

As the technology is developing, the advertisers have more and more methods and opportunities to measure the performance of their marketing activities. As Cowley (2012), wrote the "*brands are scrambling to adopt new ways to track and manage performance marketing campaigns, especially with the rise of social and mobile channels. The prevalence of mobile is reflected in recent projections that mobile devices will deliver 88 percent of online advertising by 2016, with revenues approaching $24 billion.*" We believe that this trend is likely to continue but as the new online marketing channels are created faster and faster, the advertisers and publishers have to face new challenges and more choices for advertising than ever.

Internet marketing definition and tools

There is no doubt about it – the Internet has changed almost everything in the world we live in. It has enabled an easy access to many kinds of information, changed the way we communicate with other people around the world, and it has also changed the media.

The spread of Internet access has led to an increasingly connected society, what is more, the greater Internet usage has resulted in a significant decline in the usage of traditional media, like television, radio and newspapers (Stokes, 2008). Marketing has also moved in to the online field, which has resulted in the birth of online-, or internet marketing, which became the fastest growing type of marketing (Stokes, 2008).

Online marketing – often referred to as e-marketing or Internet marketing – is actually any kind of marketing activity that is conducted through the use of Internet technologies. Just like any other advertising media, Internet marketing also involves a publisher, who shares the marketing material on their online platforms, and an advertiser, who provides the advertisement to be shared and displayed on the publisher's content. It is also worth mentioning that online marketing includes not only the advertising that is shown on websites, but we can label all other kinds of Internet activity as online marketing tools, for example e-mails or social networks (Jones, 2011).

The following definition of online marketing can be found in 2001's *Electronic trading* book: "The term of online marketing means a specific form of marketing activity connected to interactive business operations that communicates with individuals and crowds through networking information systems and electronic environment, and supports global trading with online tools" (Csuhai, 2001).

According to Pertulla (2012) Internet marketing is the combination of the creative and technical aspects of the Internet, including design, development, and advertising. He says that online marketing utilizes several methods, including engine marketing, display advertising, e-mail marketing, affiliate marketing, social media communications, and interactive advertising

The growing popularity of these techniques is caused by the numerous advantage of it. According to the basic theory (Kiang and Chi, 2001), marketing activity occurs through three types of channels - distribution, transaction, and communication – and all three of these channels have taken huge advantages from the usage and spread of Internet marketing.

As a *communication channel*, online marketing has developed a great deal. This is not just because accessing, organizing, and communicating information became much easier by the strengthened and faster connections, but also because of the opportunity to use digital tools, which improved the interactivity and perceptual experience of the message and, what is more, enabled the marketing managers to gather more and more accurate information about the customers via the Internet (Kiang and Chi, 2001).

As a *transaction channel*, marketing gathered new advantages from the Internet, first of all, because this opportunity improved visibility and let the marketing reach a much bigger customer base, then secondly, because it gave a possibility to customize promotions, and to reach the individual customers with a more personalized approach. The Internet has created the conditions in which the revenues could be improved by exploiting cross-selling opportunities and furthermore it reduced the complexity, paperwork and transaction costs.

The field of marketing has developed through the Internet as a *distribution channel*, since the usage of the Internet has serve to shorten the supply chain, which has reduced the operating costs, storage costs and space rental (Kiang, Raghu and Shang, 1999).

The usage of the Internet as a marketing tool has changed a lot through the years. At first it was used only for communication with the customers by e-mails, and obtaining some response from them, which meant that companies had a chance to target their potential customers by building and maintaining a personal relationship with them (Shima and Varfan, 2008). However, nowadays online marketing includes a lot wider scale of options. The Internet might include any kind of paid advertising, like pay per click (PCC), or search engine

optimization (SEO), but using a You Tube video, or a buzz for viral marketing could be labeled as online marketing as well.

Marketing tools

As we have demonstrate the most common marketing tools and the usage of them has changed a lot during the past decades. The following section is going to define the currently most frequently used internet marketing tools.

One of the oldest methods of gaining the benefits of the Internet was *e-mail marketing*. E-mail marketing is a form of direct marketing, which uses electronic mails as a tool for communicating messages to the audience. Every single mail that is sent to a potential customer could be considered as e-mail marketing. This form of online marketing is regarded as one of the most cost-efficient marketing techniques, however, the rate of the responses are decreasing (Dhillon, 2013).

Another very common and widespread way to advertise or communicate on the Internet is an organization using their own *website*. Even if this technique is considered as the most common requirement for a modern company, we cannot underestimate its usefulness. For most companies their own websites are used as a selling/buying platform, properly speaking the most frequented channel of trade. Company websites are also used by the customers as a tool for comparing not just products or services, but the companies themselves, which is why websites are seen to play an important role in image building. (Pura, 2013)

As well as websites and e-mail marketing, *search engine marketing* (SEM) also has a huge tradition in online advertising. However, this technique is still considered as a very effective and useful method. According to the opinion of IMT Strategies (reference) *search engines have created more awareness for websites, than any other advertising form, including banners, newspapers, television, or radio.* The reason for this effectiveness can be found in numerous advantages the strategy offers: first of all search engines provide a worldwide audience, therefore there is no other way to target such a diverse group of people. Furthermore, SEM techniques are inexpensive. Both *cost per visitor*, and *cost per sales* techniques are much less expensive than any alternative method, including e-mails and banners.

Nowadays there are several types of search engines, but the most frequently used are the following:

- *Spiders,* like Google, or Yahoo. In these cases the engine sends out a "robot" or a "spider", which collects all the keywords from a website, and uses it as a database, categorized by keywords, and given a relevancy ranking. Then the higher relevancy keyword makes the site appear in a higher place, when a visitor looks for the word.

● ***PPC, or pay per click engines***, like Yahoo Search Solutions, or Google Adwords. These engines sell rankings for keywords in an auction format. If a customer wants its website to appear in a higher place, then they could simply bid more for the particular word (bid-based PPC). These results appear at the top of the regular listings (Blue Avenue Design, 2007; Yalcin and Köse, 2010).

We also meet with online marketing on a daily basis in the form of ***display advertisements***. A display advertisement – or often referred to as a banner – entails embedding an advertisement into another website. It is intended to attract traffic to a website by linking them on the web page of the advertiser. On the other hand, display advertising is not only a great way to build traffic and drive sales as recent trends show that one of the greatest advantages of banners is the possibility to build brand awareness (Dhillon, 2013).

Of course we cannot leave out ***social network marketing*** from the range of online marketing tools. This method seems cheap and easy to use and we have to declare that this technique is the most popular, and one of the most cost efficient ways to advertise and communicate. 'Social media is defined as a group of internet-based applications such as blogs, social networking sites, content communities, collaborative projects, virtual game worlds and social worlds that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user generated content' (Kaplan and Haenlein, 2010). It not only includes user generated content, but also company generated content. Since a company knows that their only task is to share a message in a form of a video, blog, or post, and wait to see if it attracts the users or not. If the users find it interesting or funny, they will probably share it too. That is why social networking – mostly through the most common sites like Facebook, or YouTube – has become a great way to develop company image. On the other hand marketing experts claim that social network marketing can be used as a selling platform, but only in case of emotion related products or services like sport or music events (Pura, 2013).

Online marketing trends

Since online marketing is still a young marketing technique, it is not a surprise that the usage of it has both changed and increased over the years. According to the latest statistics from eMarketer[1], the total sum of online marketing spending keeps growing all over the

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[1] http://www.siliconcloud.com/Portals/55887/docs/internet%20statistics%20compendium%202.pdf

world. For example in the United States the total spending on the online advertisements seems to duplicate in a year as compared to 2010's spending, since in 2010 the USA spent 26.29 billion dollars on digital advertisements, and now it seems, that in 2015 this amount of money could top 52 billion dollars. On the other hand, we have to see that even if the total sum of spending is growing, the percentage of the increasing expenditure keeps declining. For example the sum of USA's spending on video advertising was about 2.0 billion dollars in 2012, then after an almost 50% growth it reached 2.93 billion, but next year it barely reached a 40% growth with the annual spending of 4.1 billion dollars.

The situation of online marketing in Europe seems fairly similar to the US's marketing when we look into Europe's annual spending on online ads in 2013 – it just reached the 34.8 billion dollars limit. But if we look behind these numbers, we could see the unevenness in Europe's online marketing usage: to this overall budget Eastern Europe contributed only 4.1 billion.

So what could the future bring to marketing? Despite the unevenness of spending and growth percentages, we can find some basic tendencies that seem to remain in the next period. Both in North America and Europe search engine marketing is still the most frequently used method – and the predictions say that it will keep standing in first place. The SEM marketing technique is followed by display marketing tools, like banners, videos, or rich media in both regions. Then comes classified advertising, lead generation marketing, and on the bottom of the list e-mail marketing and mobile messaging techniques.

Even if some of the main trends seem to remain constant in the next few years, online marketing experts predict some visible changes in the field of e-marketing. One of the most important changes is not even a so called change, but a continuation of a strengthening trend: the spread of cell phone-friendly content. According to DeMers (2013) 87% of connected devices by 2017 will be tablets and smartphones. So whether creating an alternate website for mobile devices, or optimizing the main site to serve them will be necessary in the near future (DeMers, 2013).

According to Conner (2013) 20% of the searches on Google are related to location and more than 56% of mobile users use their browsers for local searches. Therefore the recognition of the importance of maintaining and enhancing an online presence is going to be crucial for small and middle businesses. There are approximately 250,000 new claimed listings on Google every month, and this monthly amount does not seem to decline. To start a race for these listings, and to optimize a company's Google or Bing presence is one of the most vital points of business competitiveness. It is therefore not a surprise that small and local businesses are starting to recognize this opportunity: Boostability, an online marketing firm says, that

the growth of local SEO accounts is tremendous. In the first week of 2013 Boostability reported 3,347 SEO accounts with local content, then on November 27 they had almost the double of the earlier amount, 6,229 SEO accounts (Conner, 2013).

Another really interesting prediction refers to social media marketing. Since a few years ago, presence on the most common social networking sites like Facebook, or Twitter almost became the synonym of social network marketing. But since then the world of social websites has become a great deal more diverse: such sites as Google+, Instagram, Tumbler, or Pinterest stepped into the fight for the user's attention and loyalty. The increasing usage of these sites also means a more concentrated, segmented user base: for example 97% of Printerest's user base are women, mostly with Latin ethnicity (DeMers, 2013; Conner, 2013).

There is an interesting survey[2] which shows the e-mail read rates by sectors in Q4 2012. The average rate was 17% in 2012. In the business/finance sector that rate was above the average, 25–27% compared to 17%. In travel and shopping sector that per cent was 15, in education and entertainment was 10%. Interesting fact in the news and social networks sector the e-mail read rate was 6–8% which is barely half of the average per cent. All of these statistics show that the e-mail read habits in some sectors are low (Jamison, 2013).

We can observe a trend that the CMOs and marketing managers are under growing pressure to show their marketing activities accountable and measurable results (ROI) (Gröne et al, 2010). Because of that demand the online marketing tools are perfectly suitable to deliver measurable gains. We can assume the technology will develop further that deliver with itself several solutions to make easy the accountability. This advantage of online marketing changes the structure of advertising spending from traditional advertising to the web advertising.

Lead generation marketing definition and model

In marketing, lead generation is the generation of consumers who have interests or inquiries into products or services of a business. Leads can be created for such purposes as list building, e-newsletter list acquisition or for sales leads.

Single definition: Lead is a qualified potential buyer – or a group of buyers – who shows some interests in purchasing a product or solution.

Complex definition: "*A lead is an expression of interest by a consumer in an advertiser's product or service offering and, in the online advertising world, is quantified by the completion of an online form on an advertiser's or aggregator's site*" (Fenlon - Swartz, 2012).

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[2] http://landing.returnpath.com/email-intelligence-report

The main aim is to raise the interest in a product or just create a customer's need which does not exist at all at the moment and can be seen as starting with a search process which can generate a "lead" to create a customer group or base. After that the marketing managers can control and pull the customers to a direction in which we want and we can create the need in their minds. The surprisingly quick technological change which happened in the past decades shocked the market and the customers too. All customers can find and collect information and they can become "*self-directed*".

The customers at present collect information about the product which they want to buy before the purchase. They check everything on the internet between when the need arises and the purchase happens. In the last years, social media has changed the base of everything in the field of advertising, selling processes, social behaviour and society. The whole purchasing process changed, the customers had access all of the necessary information which they need to make a right decisions. The "*pre-communication*" is much more important now than ever. The marketers, factories, sellers have to find and learn new ways to reach the right customers and not just find these new customers, but keep all of them – with the help of loyalty – and continue to gather new ones. The customers have the opportunity to deny or ignore all types of advertisements and they have created a new skill. With this skill they can easily ban every noise – advertisements – in the day by day communication and information transfer. Once we have reached the customers it is really essential to keep in touch with them – using email, social media etc. – and keep their attention through these contacts. It is now no longer enough to assure the opportunity for the customers to find and get in contact with the companies or products or even assure that they found it and pay attention to it. The customers have to face a lot of information everyday so the filtering is really important to them. The marketing managers have to find the customers and have to identify them as efficiently as possible to create more effective ways of advertising and to create leads - through SEO, social media and other online channels. Nowadays the digital offers precede the personal meeting with the customers so it is essential to reach the customers through the online channels on time.

The customers might be everywhere before the needs arise. If we appropriately position the advertisements they can raise the desires to purchase anything so this method is suitable to create demand in this way. When the customers meet the seller or the product they have much more information then they need so they just need a last verification to make a purchase decision. We have to find the way to communicate with the customers creating the appearance of the need – now using mainly online methods. The exact target market definition and the applied marketing strategy are really essential for the marketing managers. They have to pos-

sess the attention of their customers and creating interests and driving their attention and needs to our product or service.

Marketing managers and advertisers must fill their online surfaces with reliable, real, and interesting content to ensure that they reach their target audience and the people who could became customers in the near or far future. If we can create a trustworthy lead for ourselves we can expect a huge amount of income. It is important to take the attention of the customers in the direction of the lead and try to maintain it. The quality of the content is essential to reach the appropriate customers and develop an addiction in connection with the lead, product, company etc. It is not enough to reach them, but the marketing managers must build a relationship between them and the customers. Where ever the customers see the advertisements and where ever they move day by day, the advertisers have to put the advertisements there and the really difficult challenge is to find these places or surfaces – but if we take into account the online surfaces, these possibilities are easily measurable. TOFU and MOFU (and the third, BOFU) are really essential expressions in this field.

1.1 Sections of the funnel

TOFU means Top Of The Funnel and MOFU means Middle Of The Funnel (BOFU means Bottom Of The Funnel). They are associated with the buying behaviour funnel and the different sections of it. The top point of this funnel is the surface where the customers
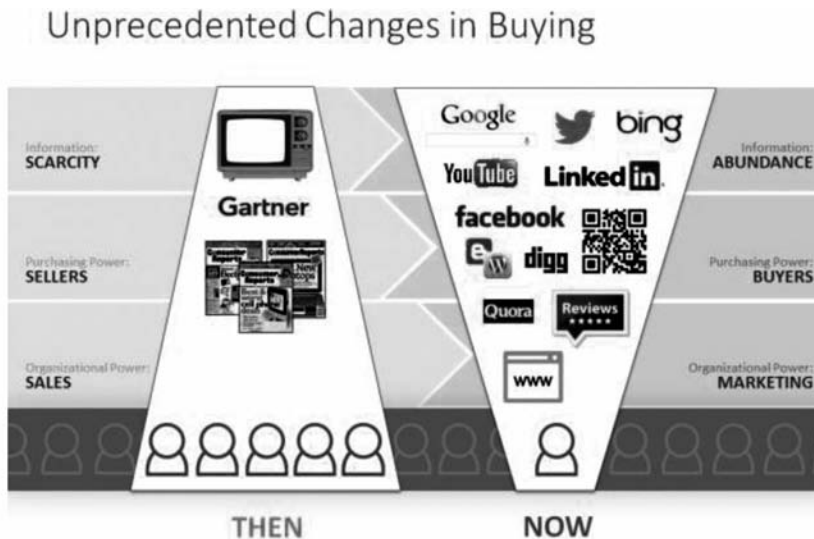
1. Figure: Unprecedented changes in buying

meet with the product or the company and the lower points of the funnel are the deeper sections of the purchasing process. It is really difficult to define where the customer is located in the first two sections (TOFU, MOFU). We can exactly identify customers only in the bottom section (BOFU). Many can generate leads well, but the problem is that most new leads are not ready to buy something from them at that moment. Impactful content is a critical point in this method to ensure lead generation. The companies must update their information and say something that continues to be interesting to the customer and not merely send commercial messages to the customers, including the business customers and partners to maintain their levels of interest. The first and easiest step is to draw their attention, the second step and the more difficult one is to maintain their interest. If you are to serve interesting and up to date information to your lead members you can completely keep out all noises which surround you and to reach your goal then the quality of the content is vital. The members who are in connection with you have to feel that your reason to keep that contact is the need to inform them not to control or drive them. The search engine in Google uses the same method to decide which pages are more popular and useful and which are less popular - the main indicator what Google use is the number of visitors on the page. Everybody use Google or at least one Google product. So if you have better points in Google members who you want to find you can more easily find your content.

1.2. Interactive surfaces

The next step is to create a blog or other type of interactive surface – social media etc. – for your content, which you can update easily and frequently. This is as significant as well as your web page. Converting browsers in to leads is honestly a good result. The main goal is when customers not only look at the content, but they can see it. In this case they will follow the blog and talk about it with each other. It contributes to strengthening your relationship with businesses, customers and business customers, helping to build loyalty between you and these members. This is a way to keep in touch with mass of consumers and stay up to date. It helps a lot to optimize the keywords in SEO and drives the new (potential) customers in a direction which is great for the company.

Thanks to the social media there is a new information abundance factor which carries lots of information from every field and on every topic. We can talk about influencers and peers, these two categories are so significant because the success of the communication depends upon them – shaping how the process becomes successful, creating and developing leads. The influencers bring and persuade the new members. The peers are the new members who help us to drive the attention of the other ones. The influencers try to convince them

Transformation of Marketing

Mission

| Represent the company | Represent the customer |
| Finding customers | Being found |

Customer Intelligence

| Mass advertising | 1:1 Targeting |
| Demographic | Behavioral |

Mechanics & Tactics

| Point in time blasts | Continuous relationships |
| Few/isolated channels | Exploding/integrated channels |

Measurement

| 3rd party data (Nielsen) | Owned, big data |
| Intuitive decision making | Fact-based decision making |

THEN — NOW

2. Figure: Transformation of marketing

too. We can talk about business partners as private customers. The most critical element is the trust, we have to ensure that the old members and the new ones of the lead will trust in the companies.

These elements are the TOFU elements like branding. To educate and help the customers are principal tools of the MOFU section. If we can be effective in this part, it is certain that the customer will go further into the funnel to the BOFU section. The other two key categories are those of inbound and outbound marketing. Everything which communicates actively with the customers is inbound marketing – this includes almost every online surface, but mostly those involving two way communication lines. The outbound marketing helps the participants to reach the inbound level. When we say outbound marketing, for example we think of these sorts of events: expos, shows, social events where we can get in to contact with people.

With this activity we can strengthen the public connections and influence the public judgment, by trying to avoid the advertisements and the commercial content or using them indirectly rather than directly. The focus is on talking about our aims, the higher reasons why we are there and why we produce a certain product and what are the reasons which justify

the purchase of our product. On this stage, do not say that this is our product that is just a product. It helps to avoid creating the commercial feeling in the audience. The outbound elements borrow the attention but this is just a "one minute" attention. After this we will recognize the importance of inbound marketing in that the person who goes further – if we gain their attention they will do it – can reach and stay in connection with one of our interactive surfaces. All in all outbound marketing is an essential supplement of inbound marketing. (Outbound can easily multiply your visitor's number if your inbound is highly suitable.) You have to use a lot of keywords on your online surfaces but also you have to find the golden mean, if you use the same words too often it will cause frustration for the readers so you have to plan carefully. Google and other online search engines scan your content as they use keywords to find appropriate content so they do not like the accumulation of similar words - in order to gain visitors number - on the site.

We can collect data from a third party and we can get lot of useful information for instance mail addresses to send direct mails, newsletters etc. Social events where we find a lot of people are essential places for generating leads. Personal connections and experiences can pull members down from the TOFU section to the MOFU or BOFU, and word of mouth is a great channel to promote or even create a lead.

Affiliate marketing definition, model and categories

Affiliate marketing is a type of performance based marketing. Affiliate marketing is a kind of online marketing which uses many tools to bring the advertisements to the customers. The concept of affiliate marketing on the Internet first appeared and applied in 1989. Put into practice and patented by William J. Tobin, the founder of PC Flowers & Gifts. Affiliate marketing has grown quickly since its inception. The total sales amount by the affiliate marketing method in 2006 was £2.16 billion in the United Kingdom, The most active fields or sites of affiliate marketing were the adult, gambling, retail industries and file-sharing in 2006.

Old marketing methods for example newspapers, magazines, huge public displays are not enough effective. Thanks to the fast development in the electronic industry we have a lot of new technical inventions like light notebooks, tablets or even smart phones. Of course there are huge wireless networks which assure customers the opportunity to connect to the internet from everywhere with an adequate bandwidth. Affiliate marketing contains intermediaries who help advertisers to promote their products and they earn commission for this activity. This is good for the advertisers and good for the publishers too. Of course it is really profitable

for the intermediary because they just use their contacts and organize some meetings or make contact through mailings and phoning (Collins, 2007).

Sometimes they have to negotiate to ensure the parties that the result will be good for both of them. Big industry leaders have to win back customers after every single purchase because a huge part of the customer base are well informed and in this digital age they can find easily the other companies in every fields. Amazon.com (Amazon) started an association program in July 1996 with individual books. Amazon associates could place banner or text links on their site for these books, or link directly to the Amazon home page. The associate websites work as an intermediary and after the real purchases they get commission (Collins 2000).

CPM vs. PPC system

CPM
Cost per mille

Difference:
The mean of a PPC is a visitor
not just see but open the commercial

PPC
Pay per click
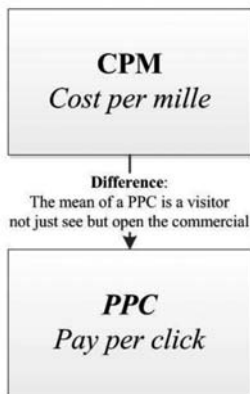
3. Figure: CPM vs. PPC

Affiliate marketing has grown really quickly since the beginning. When the web 2.0 started to be widespread it had a huge effect on affiliate marketing as well. Blogs and social media had a powerful impact on the affiliate system or method. It brought better communication lines and better surfaces to keep in touch with their customers. It had many positive effects, for example affiliates can reach their potential customers easily with the contextual advertisements. This method(s) caused the creation of new procedures to advertise a specific brand or product. Eighty percent of affiliate marketing adopts the PPS (pay per sale) solution and this is followed by the PPA (pay per action) with nineteen percent and the rest of one percent is covered by PPC (pay per click) and CPM. CPM means that much more enough is to put the content on a site or other surface and reach to show it at least 1000 people. PPC is a bit more difficult because it drives the visitors to click on the content (ads, banners any displays etc.).

There were critical problems with the click frauds. This behaviour or technique is a really simple one. Some people sit in front of computers and make "fake" click on the targeted banners, sites or other advertisements. As a result of it the advertiser and the affiliate think that the advertisement is effective but in reality it is not working as well as it seems to be doing. It causes huge costs for the companies and the affiliates too so they try very seriously to avoid it. Thus PPC and CPM are not the most famous advertising methods because nobody can

tell how many real customers meet their advertisements and how many of them will purchase something from the company. Fortunately, thanks to the technology we can now easily establish this information on the big net, the World Wide Web. Google and other service providers can record the exact data of the click – location, computer type, browser type, if the user logged in a specific service the user data etc. – to define the connection with the right layer of target audience (Alexandrou, 2007)

In practice

In the case of PPA – pay per action – if the visitors buy something the affiliate line (publisher and even the advertiser) will get commission. That is the reason why sometimes we refer to *performance based marketing* as affiliate marketing – the payment is based on the performance of the channel of advertising.

MLM and systems like that are not accurately defined as affiliate programs so we will not want deal with this area in this paper.

After a login or a registration on a site you get offers to send to you an information letters about the discounts or coupons in connection with everything, product services and every kind of purchasable item. This solution serves only one goal that is to build the data base, either for their own use or for resale to other customers. It is really good for the merchants because they will not have any costs or expenditures without any income. There is real traffic behind every cost unit so this is actually measurable for the companies. There are two big affiliate programs: rogue affiliates who use spamming, trademark infringement, false advertising, cookie stuffing, etc. These methods are not illegal but are not seen as being too ethical. The other way is OPM (Outsourced Program Management) which often have their own affiliate managers and network program managers. OPM adopts a more sociable method, as the job that they do is really similar to the activities of the offline marketing agencies (Brown, 2008).

There are several types of the websites which we can categorize in the affiliate section:

1. Search affiliates (pay per click)
2. Price comparison service
3. Loyalty websites
4. Cause Related Marketing tools on the internet
5. Coupon sites
6. Content sites
7. Personal websites
8. Weblogs
9. E-mail marketing
10. Registration
11. Shopping directories
12. Cost per action networks
13. Websites using ad bars
14. File-Sharing

As we have mentioned, affiliates has a lot of partners but not only from the side of the advertisers. They have a huge base of advertisers. They must handle this problem and try to provide chances for all of its partners on both sides. Sometimes it is difficult but it is well worth it. There cannot be any too strict control over this advertising method because everybody needs it and this is the reason why it includes some non-ethical ways or solutions for instance spams, forced clicks, cookie "hacks" ad wares, or many other methods to drive or steer their visitors to their sponsors. Every participant tries to use new ways which are more acceptable for their visitors or customers. Let us illustrate this by giving an example, we get less spam but we see advertisements everywhere where we look. In search engines there are little boxes which contain advertisements every time and from every category. Some members of these affiliate networks try to "hack" the engines and method and Google has to improve its algorithm to filter more strictly these attempts. We can meet many solutions in the field of affiliate marketing thanks to the endless design elements that we can use on the web surfaces. The keywords and the site content have a crucial role in this field too. If the site content and the affiliate site content match the process will be more effective. So we might say adware and trademark bidding are two most effective ways of affiliates.

Summary

In summarizing this section we can say that the lead generation and affiliate marketing are two really similar marketing tools. They supplement each other and help the other to reach its aim. Lead or affiliate marketing does not just work alone but where they work in cooperation, together they can do really great things. This is not seen only as making profit, but also developing and improving the marketing communication lines. If we find the way to apply these methods accurately we can reach higher levels of marketing communication and message forwarding.

Future Prospects

Everything is changing around us. The end of the 1990s and the start of a new decade brought a lot of technological and, of course, many of other inventions in all sorts of fields and the future will bring much more than we can imagine. Every walk of life will completely change and every field of marketing which is really a huge "science" with many-many subcategories will have to adapt to these changes. At present, we see most of the marketing activities running on online surfaces. In the near future it will not be just most of these activities, but

all of them that have moved to "cyberspace" (Lingham, 2007). So the processes and methods mentioned above will be essential to keep businesses alive and to carry on working at an effective level in the marketing industry. Advertising will move forward but it is essential to prepare ourselves and our companies to change, even completely, their marketing tools. There are new ideas in connection with future marketing tools and we have to make the most of all of our opportunities. Nobody knows in which direction marketing take on its new route but everybody feels that we have to follow it and walk on it. Every participant of this field has to observe the market and the changes in the world and imagine new ideas, creating new solutions to reach their aims, to convince the customer and to sell something.

Business sectors where online performance marketing works and is needed

a. Online business effectiveness depends on industry.

Online effectiveness is highly driven by criteria given by the industry, the company it is working in. It is relevant that the company sells a product or provides a service. Most of the time services are much more complicated to advertise, as they are complex and they do not have a tangible layout. In most cases, service contracts have to be signed physically, which is a problem online as the service provider and the customer may be far from each other, which makes the encounter difficult and expensive. It is also a question as to how strict the legal background of the industry is. Financial services are often overregulated and specify various rules to follow: for example in the case of Hungarian banking products, the contract has to be signed with a wet signature, which means that the Bank needs to meet the customer personally, so the selling process has to include an offline part after the online lead has been generated. Another difficulty is that the person who meets a potential customer has to be authorized officially to identify a financial customer, and has to have the proof of the relevant trainings, which were fulfilled successfully. It is also very important that the offered physical or non-physical product by the company needs to be easy to deliver. All of these and other non-mentioned industry specific characteristics determine drastically the level of online effectiveness.

b. Which industries we examine and why?

We examined very different industries to see how different the online business can be. Factors such as the nature of the offered product, related processes, delivery methods etc. are very different from sector to sector. We also took into consideration advertisement budgets so we concentrated on those industries where there are key players involved in online adver-

tisement. Driven by this thinking we identified the following industries for examination: Banking, Insurance, Telecommunication, Service providers / Utility companies, Web shops, FMCG companies, Car dealers, Travel agencies /Air ticket sellers, and Brand dealerships.

c. Which industries are using online for what purpose?

From industry to industry online marketing is used for various purposes. We have to point out that online has two different meanings at the same time. On one side it is an (interactive) communication channel and on the other side it can be a channel for acquisition as well. Online can achieve communicational purposes and sales targets, too. The goal, which is linked to online, depends on the given industry. There are some industries where acquisition is practically the main goal of the online activities. In these industries the services or the products are easy to sell, the selling process is driven mainly by the price and products are easy to compare. These industries are the: Insurance, Travel agencies/Air ticket resellers, Telecommunication (product) and web shops.

There are industries where the goal is to get the first contact point (lead) for further processing. In these kinds of industries the main goal of the online communication is to get the customer's attention and convince her/him to register. After registration, a Call Center operator will contact the customer, in most of the cases. The operator asks several questions from the potential customer and tries to assess if the potential customer is really interested and if they are part of the target market of the company. In case the potential customer is really interested and is a target market customer, call center operator discuss a personal meeting with them. The customer meets the salesman of the company and they make the business online. In this case the company tries to analyze the whole conversion tunnel and link online campaign with offline conversion. Relevant industries are: Banking, Telecommunication (service), Service providers / Utility companies and Car dealers.

There are industries where the main goal is to send the communication message. The online campaign concentrates mainly on product details here. In this case there is a fully offline process regarding product selling and the advertiser company measures the communication KPIs only most of the time, they do not want to link online advertisement to offline conversion. Relevant industries are: FMCG, Brand dealerships.

d. What determines the online success in the industries?

There are several key factors for online success. The first factor is the presence of the fully optimized effective online campaign with harmonized creative and well balanced media plan.

The second key factor is the well optimized conversion funnel where there are limited numbers of touch points, related drops are relatively small and the funnel is not too long in time. The third key factor is measurement. Measurement systems are difficult in online marketing. There are numerous possible errors which are not easy to investigate. Linking offline conversion to online activities is also not easy.

e. Where online acquisition is tend to be successful?

Online acquisition can be seen to be successful where
- sales transactions are easy to make,
- conversion points generate real sales,
- products are easy to communicate,
- price is clear and comparable,
- legislation is clear and not overcomplicated,
- campaign measurement is easily linkable to the selling point,
- product logistics are simple.

Based on these criteria and the nature of the product or service, online acquisition is most probable to succeed in:
- Web shops and Telecommunications (Product) - as conversion point is real sales, product delivery is made as a well-known physical or non-physical logistics process, and measurement system can track the whole sales process, as final online conversion point is sales and the sold products are easily comparable and price is obvious.
- Travel agencies / Air ticket sellers - as the conversion point results in real sales, complicated logistics processes are not needed, the whole conversion funnel can be easily tracked, prices and service are clear.
- Insurance - as conversion point is real sales, logistics process is easily handled via email and mailing, whole online conversion funnel can be easily tracked and measured, prices and service are clear.

Based on the criteria and the nature of the product or services offered online acquisition success depends on the fine tuning and design quality of related processes in the following industries:
- Banking - as conversion point is a lead (registration), following related processes are complicated and long, last obvious online measurement point can be linked to lead only, product is very complicated in most of the cases, price of the product is not easily comparable to other similar products.

- Telecommunications (services) – as conversion is a lead only, measurement point can be linked to lead only, product is complicated, and price is not obvious.
- Service providers / utilities - as conversion is lead only, measurement point can be linked to lead only, product is complicated, and price is not obvious.
- Car dealers - as conversion is a lead only, measurement point can be linked to lead only, selling process is complicated and long, buying decision is difficult and it is problematic to link buying to lead.

There are certain industries where online acquisition is not a goal. In these cases main target of online campaigns is to deliver a communication message. This message can be a promotional message, a product message or a brand message. In these cases following processes are fully offline, online channel works only as a communication channel delivering the message. This type of usage of online is specific mainly to the FMCG industry and Brand dealerships.

Industry	Communication focus	Conversion Point measured & linked	Sales Transaction nature / Logistics
Banking	Sales (Promotion)	Lead	Difficult
Insurance	Sales (Comparison Product and price)	Sales	Easy
Telecommunication	Sales (Promotion)	Lead (Service)/ Sales (Product)	Difficult (Service) Easy (Product)
Service providers / Utilities	Brand / Send offline message	Lead	Difficult
Web shops	Sales (Comparison Product and price)	Sales	Easy
FMCG	Sales / Send offline message	Deliver a Message	Offline – non target
Car dealers	Sales / Send offline message	Lead	Offline – non target
Travel agencies/ Air ticket	Comparison (Product and price)	Sales	Easy
Brand distributor	Brand / Send offline message	Deliver a Message	Offline – non target

1. Table: Marketing specifics in main industries
Source: Created by Zoltán Lengyel

General online advertising trends in companies in the last 10 years

Following up on the Top Tech Trends Of The last decade, we are going through the evolution of online advertising[3]. Beside these detailed trends we have to admit in the big picture that Online has continuously gained space from Offline in the last decade. The TV advertising market share has been eaten up by YouTube; printed media is shrinking, giving its place to online media as well. Online is highly dominant in the advertising market – it is supported by new advertisement formats, more effective buying methods and sophisticated measurement systems.

Detailed trends are the followings:

1. Organic Search became more and more important:
Marketing decision makers are to understand the importance of organic search. Almost 90% of the entire Web's search traffic flows through organic search. Search Engine Optimization (SEO) became an independent service line at online agencies.

2. Paid Search dominates:
No matter how we call it - Pay per Click (PPC) or Search Engine Marketing (SEM), this is the most effective advertising form on the Internet. Google dominated the past decade with paid search advertising Price of keywords became expensive in some cases, but if you know what you want, you can find cost effective ways of PPC.

3. Social Media Advertising is Rulez:
Social networks became the most intimate partner of our lives. We share a lot of information with our friends and, during this time, with social networks too. Social networks like Facebook, Twitter, and LinkedIn use this information to make their advertisements well addressed so today they became a well-functioning advertisement channel. It depends on the country which social network (mainly Facebook) dominates the market but social networks became an unavoidable online advertisement surface.

4. Rebirth of Display Advertising through Vertical Advertisement Networks:
Display advertisement is the best known online advertising form. It is practically as old as the Internet itself. In the last decade the Internet started to decentralize with a lot of

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[3] http://www.sramanamitra.com/2011/01/11/top-10-online-advertising-trends-of-the-decade/

small websites, blogs etc. Vertical Advertisement Networks offer a very effective way to do brand advertising across the fragmented spectrum of the Internet including social media. In the coming 10 years, these advertisement networks will bring more value to advertisers through advanced technology for measurement, analytics and optimization, as well as richer engagement capabilities such as interactive and video ads.

5. Mobile Advertising is getting inevitable:
In the last 10 Years smart phones became our most private gadget. We spend hours a day playing with them, giving a lot of information about ourselves to different places like our service provider and many-many others through mobile apps. On the top of this, mobile web traffic surpassed desktop traffic this year, so we also consume the web contents on our mobile phones[4]. This is a good opportunity for advertisers to assess effectively their potential target market - in particular with location-based advertising, coupons, and special offers.

6. Better Analytics, Optimization, and Targeting:
In the last decade campaign analysis has become more and more important. Now we have many and much more sophisticated analytics, optimization methods and targeting infrastructure that had not even existed several years ago. Using these sophisticated tools we can optimize our campaign activity much more effectively.

7. More powerful video advertising:
In the last decade YouTube has become the dominant video sharing portal in most countries. It is a video sharing site and also a social channel where a viral effect can easily help advertisers achieve their goals. YouTube created its environment with sophisticated tools for advertisements and analysis. We can easily choose among a lot of advertisement forms depending on our goals. YouTube's sophisticated environment requires well developed ad content so it revolutionizes video ad formats and related contents.

8. More and more dominant In-Game and Apps Advertising:
Consumers are spending a lot of time with playing games online. This creates a good opportunity for marketing people to catch them in the Games through targeted ads. Mobile is getting more and more dominant among online players. Beside the games mobile apps give chances for advertisers to send their messages effectively.

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[4] http://netonomy.net/2012/08/09/mobile-internet-trend/

In the next 10 years without doubt online will remain the most innovative and effective advertisement channel and offline will continue to shrink.

Online budget optimization and related online sub channel strategy possibilities

After the financial crisis of 2008 the main trend has been to link every dollar spent in the sales figures directly on online marketing. This resulted in the emergence of campaign analytics and related systems, which have dominated online discussions which is very useful and effective unless over optimization happens. A campaign works well if it is well equilibrated and builders and drivers are in the right balance. "A driver is any marketing activity that drives business in the short run; a builder is a long-term activity that builds web traffic or brand equity over time"[5]. Of course, it is easier and at the first sight seems more effective to focus on short-term strategies. But it is better not to ignore builders even if the temptation is always present. It can happen to consumers concentrating on brands instead of searching for specific services and in this case our well thought lead generation strategy might fail. In order to avoid this situation we had also better be investing in brands besides focusing on real sales. It means companies have to invest not only into those online sub channels which convert well in a last click attribution model, but into those which have a brand build effect.

Main online sub channels and their characteristics are the followings:

Display – most traditional way of online advertisements. This builds the brand and delivers the message but its direct sales conversion can be poor, which is why decision makers easily cut display costs based on the evidence of last click model figures.

Affiliates – this is a new method where advertisers can include small websites and blogs. Advertisers can easily set the desired paying method linking to the wanted conversion point. It can build the brand and also concentrate the sales but it depends on the strategy applied regarding conversion points and the basis of payment.

eDM – a lot of big databases have been built recently that can be used for effective mailing. This sub channel concentrates on sales mainly and the brand building effect is known to be poor.

Google PPC – Google's PPC solution has two big areas. One is Google AdWords which can be very effective in sales, although the brand building effect is marginal. The other big

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[5] http://www.makeitbusiness.com/thrive-optimizing-budget-online-marketing/

area of Google's advertisement service, Google Display Network, is very effective both in brand building and sales.

Social networks – Using Social services people are concentrating on their personal life so they are less open for direct sales message but with indirect well designed creative and conversion models these channels might be good both for brand building and sales.

SEO – Concentrating on Search Engine Optimization sub channel we can have a very effective sales sub channel especially combined with Google's PPC elements.

Based on the sub channel characteristics companies have to find the right mix of the listed tools. First companies have to know what their expectations are from online channels. The most obvious expectation is to drive sales, but what does matter is whether we want to have business today or we expect sales also tomorrow. If the goal is to maximize today's sales figures and the marketing budget has to be justified severely in these terms then we have to apply only those elements which generate sales. In this case the marketing communication mix has to base mainly on: SEM, SEO, eDM, Affiliates (a payment model linked to sales figures). If it is important to maintain sales figures continuously on a high level, we have to optimize all sub channel tools individually and have to find the healthy mix across all of them. They have to be optimized based on their individual nature recognizing their specific different creative strengths and weaknesses. On builder type sub channels brand type messages should be sent while on driver type sub channels product and promotion messages are needed. Conversion points also need to be set individually sub channel by sub channel. After the sub channels are optimized with the most effective creative and conversion points are adjusted a healthy media mix has to be found. Most experts suggest that the most effective mix is to have 30% builder and 70% driver.

For best campaign optimization we have to find the best attribution model for our company and product[6]. Driven only by last click optimization model we can easily drive our business into a crisis producing worse and worse sales figures as we overuse driver channels without building our market with builders.

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[6] https://support.google.com/analytics/answer/1662518?hl=en

Measurement questions in performance based online marketing – campaign evaluation

One of marketing's biggest challenges is to prove that marketing budget spent was effective. A hundred years ago American businessman John Wanamaker, famously said "half my advertising is wasted; I just don't know which half"[7]. Business decision makers are convinced that in the online world where everything is measurable, we know which half is the waste. The bad news about it: we only know it more or less. Let us have a look at the problems and problem solving! What can we do with them?

Problems outside the advertiser's company:

Online advertisements are served by very complex advertisement systems nobody knows in details, where problems are common. So if a problem occurs it is difficult to identify and takes time to investigate because there are too many players in the game and there is no owner of the problem in most cases.

Problems inside the company:

Most advertisers are bigger size companies with 100+ employees, complicated processes, fragmented organizational charts, different motivations and most of the time with silo thinking. This situation does not help when you have to link complex external systems to the company's internal one. This is needed because information about campaign effectiveness is coming from external systems and related sales figures are coming from the internal one. Both are necessary to optimize the campaign properly.

Complex customer behaviour vs. simplified measurement:

People think in very complex and unpredictable ways. Sometimes they make decisions immediately, at other times they make a rational decision based on facts. At the same time business decision makers want to see customers as simple creatures, driven by their marketing. This situation ends up with customer behaviour having to be simplified to the level of the measurement system, which can lead us to false conclusions.

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7 http://www.theguardian.com/media-network/media-network-blog/2013/sep/20/online-advertising-measurement-viewability

Set up of a conversion funnel:

To have the best results we have to map a full conversion funnel, starting with ads up to sales conversion. To be successful we have to map and reshape all related processes inside and outside of the company. We have to optimize the product itself as well. If the product is not for online, it has to be developed, supported by online promotion. Most advertisers commit the error of optimizing the advertisement part of the funnel often called "top of the funnel" and at the same time they do not concentrate on the sales fulfillment part of the funnel, which is called "Bottom of the funnel" inside the company. The optimization is not easy – most of time internal process optimization is even more complex than the external part but without this our funnel remains leaky and our money will flow out through it.

What to measure?

These days as technology is evolving we can measure more and more things – perhaps too many things, which is why we have to find out what we think is meaningful for us. First we have to find those points in our funnel, which predict the potential future business success because in most cases (except the purchase of some non-physical products, like airplane tickets) the transaction is not immediate: it takes time. We also have to find the way how we want to link the business transactions to the campaign. It is also important not to lose the necessary measurement codes, throughout the whole funnel as campaign optimization can be done only if we have them.

Campaign optimization techniques:

After we have designed the whole funnel, found the best conversion points to measure, we have to operate the measurement process on a daily basis. We have to think all the time and often read between the lines to get to the right conclusions. During the campaign we have to optimize continuously through A/B testing, where we implement and measure two different versions of a given problem and chose the one which performs better. This is probably one of the best techniques if used well. We have to see always the big picture – it is a dead end to get lost in the details. Details are important but only to support us in seeing the big picture more clearly.

Conversion points and related processes

What are the conversion points?

The definition which we have worked with is: "The point at which a recipient of a marketing message performs a desired action." It means indeed conversion is simply getting someone to respond to your call-to-action[8]. To get someone to open an email or to click on the call to action button or to fill out a registration form is a conversion. And finally to sell a product is also a conversion.

How to reach a conversion?

It seems to get somebody to convert is easy, but in reality it is often not that simple. The difficult thing is to reach the optimized operation and to maximize the conversion from a given creative. It does not matter whether it is an email or a landing page or any other form of creative that they send through complex messages. We have to know: the difference between a poorly converting creative and a successful one might be ridiculously small. There are better and worse converting synonyms for the same thing; there are better converting layouts and colours we have to test. To find the best creative we made a test plan for the best 3 creative layouts concept and variations. We do not need to have a big sample database but we have to make a representative one. We do not need to run the test over a long time, as we can specify shorter terms only. What is important in all cases is that we need to know exactly what we are testing. For successful testing we can test only one or two things at once to know what causes the differences exactly. If we test three or more things at the same time we will not know exactly how to measure it and in this case we risk losing the right path.

How to improve conversion points?

Targetmarketingmag.com says "Conversion points are at the top of the list as the most effective areas for a marketer to improve."[9] It is not a coincidence that they suggest to improve conversion points as the conversion point improvement can easily deliver quick results. We can say it is one of the "Low hanging fruits" of online marketing. First we have to make a list of conversion points by identifying all possible conversions people can do. We have to be aware of all the different things that people can do on our site. Second we have to prioritize what is important to us. Do we want people to sign up for our newsletter or do we want to

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[8] http://sherpablog.marketingsherpa.com/marketing/conversion-defined
[9] http://www.targetmarketingmag.com/article/3-steps-improving-online-conversion-points-400628/1

push them towards sales conversion? We have to know the exact role of each page or creative of the planned customer journey. We have to know where we want what and we have to design the layouts and based on the priorities we have to design the conversion points accordingly. As a general rule, no page should be without a call to action point and it is recommended that two to three conversion points can be found on every page.

What happens after the conversion points?

As we clarified, conversion points may relate to different things we want customers to do. It can be a registration, a product order, or else after the conversion the internal processes will determine the customer experience. Here we have to start to serve our customers and implement such processes which are aligned with our promises. Most companies make the mistake at this stage of thinking that the deal is done. But this is true only in case of the companies selling nonphysical goods and where the customers pay online. Only in this case can we say more or less the deal is done, otherwise the company has to organize the product delivery or in several cases they have to ensure that the contract has been signed offline which is a challenging task. This part of the process is the first step to build the trust in the company and to create loyalty.

Optimization possibilities based on different attribution models

What is an Attribution Model?

"In advertising, an attribution model will allow marketers to look at the **team of ads** that contribute to a sale or conversion over an extended period of time. So instead of the traditional method of crediting a sale or conversion to the last ad clicked or viewed, an attribution model will attribute **credit** to each ad or "touch point" within the sales funnel."[10]

There is a logical need for marketing managers behind the modeling as they want to understand fully customers' behaviour. Marketing managers want to understand how each online marketing sub channel contributes to the final decision. Using this thinking managers can obtain new insights and they can optimize their campaigns more fully.

Possible attribution models

Up to now, online campaign measurement has been based on last click attribution model. This means that the conversion was linked 100% to the last action. In fact this last action

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[10] http://www.bluefountainmedia.com/glossary/attribution-modeling/

was considered as the only action which contributed to the transaction. Almost all marketing managers knew this was not true, but decision makers wanted to see in an excel spread sheet how other actions added any value to the final conversion. The problem was there was not a measurement method which could prove how things are working until these days. Fortunately Google noticed the gap and included the models in their system as of the followings based on support.google.com relevant article[11]:

- The Last Interaction model attributes 100% of the conversion value to the last channel with which the customer interacted before buying or converting.
- The Last Non-Direct Click model ignores direct traffic and attributes 100% of the conversion value to the last channel that the customer clicked through from before buying or converting.
- The Last AdWords Click model attributes 100% of the conversion value to the most recent AdWords advertisement that the customer clicked before buying or converting.
- The First Interaction model attributes 100% of the conversion value to the first channel with which the customer interacted.
- The Linear model gives equal credit to each channel interaction on the way to conversion.
- If the sales cycle involves only a short consideration phase, the Time Decay model may be appropriate.
- The Position Based model allows you to create a hybrid of the Last Interaction and First Interaction models.

What to do with attribution models?

To be capable to choose the best model companies needs to be aware of their customers' behavior – based on what criteria they choose products or services. Knowing this and based on the business nature companies can chose among the attribute models and using the right one, companies can get much closer to our customers than before and can optimize the campaign on real customer behaviour ending up in such situation where customers, decision makers and marketers are all satisfied with the campaign effectiveness.

Conclusion

To have a successful and continuously delivering online channel we have to optimize not only the top of the funnel but the bottom of the channel in all cases. During the optimization

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[11] https://support.google.com/analytics/answer/1665189?hl=en

we have to look at the industry specific processes and characteristics furthermore we have to avoid sub channel over optimization. At the same time we have to find the right mix of the various sub channels. We have to operate a well-designed and well working measurement system measuring the appropriate conversion points set deliberately and we have to optimize the creative through A/B testing, whilst remembering to fine tune the whole system continuously. For the best results we have to find the best suited attribution model. In cases where we do the things above cautiously and thoughtfully we will have well working eBusiness channels delivering real sales and building brands.

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BUSINESS NETWORK COMPETENCES AFTER THE DIGITAL TURN

We assume that the digital turn and the mobile-computing environment facilitate the corporate management functions. This is in order to support both offline and online network competences for developments and for innovations. Our goal was to examine the above thesis applied to both online and offline networks mapping them on an interface of two measurable success-indicators. One of these indicators has been defined as a set of achievements gained by a competitor. The indicator of visible success has been generated from the results of marketing, brand awareness and loyalty. We conducted a series of expert-interviews in selected industries. The focus of the interviews was the level and the impact of corporate network competencies concerning the competitiveness. The segments examined show different patterns regarding the intensity of use and efficiency of online networks and digital tools. Also highlighted is risk management according to the size of the network expansion, the type and quality of the network, the kind of industrial and business embeddedness. The highest level of digital competencies was found in large enterprises, companies with a "digital profile" and such small and medium sized enterprises whose clientele include multinational companies and large corporations. The lowest level of digital competencies was experienced in small companies and manufacturing firms.

Introduction

According to our research, companies that have closer connections with their clients, suppliers and research institutes proactively use the latest digital/network tools. Their organizational and inter-organizational relations are technologically oriented. They are more likely to achieve success in research and development (innovation). Existence and development of network competencies have a positive impact on corporate culture and inter-organizational technical co-operation. Also, positive impacts in regards to openness, integration and on further innovations (see among others: Ritter – Gemünden, 2003). We assume that the digital turn and the mobile-computing environment facilitate the corporate management functions. This supports both offline and online network competencies for developments and for innovations.

Our goal is to examine the above thesis applied to both online and offline networks. We plan to map them on an interface of two measurable success-indicators. One of these indicators

has been defined as a set of achievements gained by a competitor. It is related to figures of effectiveness, growth and sales. We have labelled this indicator as the "*competitive advantage*". We have labelled the other indicator as the "*visible success indicator*". The indicator of visible success has been generated from the results of marketing, brand awareness, PR and to partners' – consumers' loyalty. The analysis of the sample monitored the way companies and organizations allocated supplementary resources. This allocation of resources was on behalf of information management in order to develop competencies and to implement digital innovations. We assumed a close correlation between the results of measurable success-indicators, investments and developments. Furthermore, this research also focused on the size of companies, industrial embeddedness and on the profiles of the analyzed networks for a deeper understanding. A literature review preceded the empirical work in order to clarify the conceptual framework of the hypotheses. Also, in order to set up the framework of the expert interview guide.

Network competence

The basic category of the research is network competence which we analyze with reference to activities both online and offline. Business and organizational networks have been facing the breakthrough of online communication, growing data resources and vulnerability. Also, they are facing the transparency of partners, trust-based networks and security risks. In a digital environment, the continuous development of networks and network competencies as well as the redefinition of offline networking channels and competencies are also important for an effective and successful operation of networks.

A network is conventionally understood as the sum of hubs and that of the hubs' linkage. Within each framework, we analyze the connections among digital, social, business and sophisticated users' networks. These are dynamically changing systems. They are built on network competencies or via developing network competencies. Quantity, quality, centralization or decentralization of linkages in close correlation with digital-technological innovations, with the use of online networks will all determine the rationale of these complex networks.

We assume that the function and decision-making processes of offline networks are under the influence of digital platforms and online networks primarily because the Internet is a scale-free network. Besides, scale-free frameworks are extremely resistant to occasional errors. Therefore, a great number of randomly chosen points can be removed without ruining the coherence of the framework. On the other hand, these frameworks are really vulnerable in case of a targeted attack because the removal of relatively few points could ruin the largest network hubs. This may cause disintegration.. It is indispensable for business management

to support network competence. We analyze networks focused on their spots of risk, vulnerability and effectiveness. We map how much companies attend to the logic of scale-free networks in the use of online networks. While focusing on networking society, we have been relying on Castell's model. The core of which is based on informational and communicational technologies where the accumulated knowledge-hubs are definitive (Castells, 2009).

To operate a network or organization, network competencies are needed that manage processes of decision. Network competences can promote effective organizational communication and the competitiveness of the company concerned. As long as progressive, interactive understanding and skills cooperate on various levels of an organization, network competencies can prevail (Edgar – Lockwood, 2008). Effectiveness, as well as competitiveness, will improve. The use of digital tools and the rapidly changing digital environment deconstruct certain network competencies. This sets up and weakens the importance of other network competences..

Digital tools and platforms, online networks and ICT innovations rely exclusively on digital and network competencies. Their continuous improvement is of uttermost importance because accumulating an amount of data, their supply chains within the organization and in inter-organizational relationships are determinative. The online data collection and the interpretation of the results on the organization or that of the partner/concurrent organization imply competencies that can be separately analyzed. Our indirect target is to point to an emerging effect that makes the analysis of network competencies indispensable. This is the so called big data or data boom. The network of data and contents are facing a serious challenge in the digital environment where we produce an average of 2.5 quintillion data per day (source: http://www-01.ibm.com). There is a growing amount of data that comes from sensors, social media networks, online knowledge sharing and from lots of other resources. This brings up basic questions of the handling of data resources and induction, network innovations and network education.

Basic questions and hypothesis

Our research questions are the following: How do social and business networks that use the Internet as a scale-free network measure the vulnerability and risk of digital/online networks? Furthermore, how are they getting ready for big data's effects? How can they make an advantage of them? Do communication and education decrease vulnerability and risk? How much does it depend on the size of the company/firm/organization/network? How much does it depend on the industrial or other embeddedness of the company/firm/organi-

zation/network? How determinately do they consider the technical-digital embeddedness? How much do they consider the human/organizational decisions? Which one of these two promotes effectiveness? What is the connection between the size of the network and the level of competence? Can it be determined that 'mezo level' is the most effective? What are the natural and synthetic network regions? What are the condensational fields of the technological-technical-administrative-worksharing-etc. networks?

With the help of the above questions, we have set the following hypothesis and sub-hypotheses:

Hypothesis

According to the research's basic/main hypothesis, considered are those business, social- communication and decision chains that operate with the newest digital- online tools and competences. As compared to their competitors, they are measurably (effectiveness, growth, realization) and observably (marketing/ brand awareness, PR, loyalty of partners and consumers) more effective.

Sub-hypotheses

(1) The analyzed sectors' networks regularly use external and internal modes (consultation with advisors, participation at international conferences, webinars, professional blogs with new information, acting social media managers, involving trainees, etc.)for development and self-training in the field of digital-online innovations and competencies.

(2) They regularly use competence developing tools and methods in the analyzed sector to introduce them to the market,. Also, to handle the growing amount of data and big data, and to reduce risk. The education is assured by more channels (for example e-learning, conferences, workshops) in many of their connected networks (partners, collaborators, subcontractors, etc.).

(3) The analyzed sectors consider familiarity with and the development of online network competencies indispensable to achieve competitiveness and effectiveness. In order to build trust and reduce risk, they first manage their offline networks by traditional tools (keep in touch in person, the requirements defined in the contract/in writing, etc.).

(4) The newest digital tools, digital network services, use of programs, data management elaboration and information management need additional resources. The analyzed sectors consider this as an investment. They develop their material and intellectual sources accordingly.

(5) The analyzed sectors use both preventive and proactive solutions in their online and offline networks (for example, tracking, management of change and crisis) to decrease vulnerability and increase effectiveness.

(6) The analyzed sectors show different results regarding the intensity and effectiveness of the use of online networks and that of digital tools. Different results are shown on risk management depending on the size of the network's expansion, the type and quality of the network. Also shown is the business and industrial embeddedness. Finally, the represented generation is highlighted.

We analyzed the hypotheses' framework and validity by highlighting the relevant elements of literature; and also by qualitative research. We are also going to present the research's results in these two steps.

Theoretical background

The Framework of Networks: Relatedness, Tight Bonds and Vibrations

The network, as defined above, is the sum of the hubs and the links connecting them. Due to the infrastructural development of digital environments, various and effective tools are available via online and social networks (Gloore et al., 2012).

Within business and organizational networks, the nodes belong to the same sector's interconnections or to that of different sectors. According to recent studies on business networks and supply chains, relations themselves are a major set of resources for network operators. Practically, these networks can be defined as investments. The greater the investment, the more meaningful and useful connection can emerge between companies and organizations. By this they shape one another and the whole network. The wiredness, or a particular node involvement, makes the organization more sensitive and influential in the network information flow. Theories of competitiveness emphasize how important it is that companies or organizations should not keep the network under control. Otherwise it will be less effective and innovative. The only effort they can make would be seeking profit from others' initiatives and creative solutions. It is important to try to understand that they need to see and know how the network operates in terms of the associated partners. Also, to determine how they see their positions from there (Anderson – Håkansson – Johanson, 1994; Dodgson, 1993; Gelei – Mandják, 2011; Håkansson – Ford, 2001; Mattsson, 1997; Wilkinson – Young, 1994). The competitor's benefit may also be increased by this change of viewpoint.

The relationship of these companies and organizations can be divided into online and offline networks, and can be examined along these dimensions. According to the sub-hypothesis supported above, we have observed it is essential to get familiar with and develop online networking competences for the corporations and organizations. This is in order to achieve competitiveness and effectiveness. Information management, the latest digital network services the use of digital tools and programs require additional resources. The question is how much these resources can be regarded as an investment, how indispensable they are, and how they support the company's or organization's competitiveness. The offline networking competence from this viewpoint is also indispensable. This is because traditional fiduciary and risk mitigation tools have an important role.

There is always something in the flow through networking contacts.. It can be information, process management decisions or co-operation in innovation. As a result, we need to review a particular network nodes' strength and stronger bonds. If these stronger bonds use innovations, digital tools and network education more actively, it may have an effect on the long run including on the rest of the network. There may be situations when confusion arises within the network because of the flow and strong links among members of the business networks. Or, the network faces confusions like jarring or corporate economic crisis.

The so-called network quakes according to their extent and strength have various effects on the operational effectiveness of companies and organizations. It is therefore an important issue for the members of the network to reduce this kind of vulnerability and perceive crisis management solutions. These solutions would be those used online-offline concerning their networks in order to be able to preserve their position and innovative capacity (Csermely, 2009).

On the whole, as participants of a business network, all the companies and organizations need to move beyond their own points of view and they should focus on a networking perspective. Without their networks they would not be able to reach their desired results, innovate successfully nor increase their competitiveness (Christakis – Fowler, 2009).

Offline and Online Networks: After the Digital Turn

As we have mentioned earlier, exploiting the potential of online networks is crucial for corporate and organizational relationships. Presumably, for their business-social communication and decision-making chains that use the most recent digital and online tools and competencies. As they tap this online potential, they can become more competitive as compared to the sector's other companies and the organizations. However, we assume that the online

network extensiveness, its importance for the company, latest digital tool usage, and the importance of the education all depend on the profile of the company. This includes size of the company and on the staff generations represented.

Hurwitz (2013) also draws attention to the fact that this is the age of the so-called post-trust Internet and of digital technology. This means that online networks are becoming more accessible and less evadable. Due to this, it can be turned against the organization or against the company. This could range from the vulnerability to data leakage through hacker attacks or to destructive communication activities that streamline online information management. Internet architecture is a possibility, but the confidence in online networking is being constantly questioned by the opportunity and verification of vulnerability.

The trust in a network (Krackhardt - Hanson, 1993), the legitimacy and strength of nodes, streamlined network management, issues of safety versus effectiveness are present both in online and offline networks. Yet, they are present in different ways and interconnected with one another. Innovations and effectiveness support the openness. Trust and security supports increasingly exclusive and restricted network solutions. So when we talk about offline and online networks after the digital revolution, it is a fundamental question where the boundaries of the network's development lie, the viewpoint of the network and that of online-offline network competencies..To what extent does competitiveness strengthen the node's place within the network and the trust. When should restrictions be launched for cost cutting, return investments in order to save security functions? How should competitiveness and the proportion of expenditure, the investments of the communicable and demonstrable competitiveness be optimized?

It is important to emphasize that the patterns of online and offline networks are to a certain extent similar. Again though, to an extent they differ. Here "human" and "algorithmic" nodes and their interconnections indicate basic differences between the various sources. Human nature is more analogous, while the nature of the algorithmic one is digital. According to socio-psychological studies, (including Haythornthwaite, 2005; Bargh – McKenna, 2004) there are no significant differences among patterns of human networking. Online relationships usually share the features of offline relationships.

Online communication is also rather frequent and intense in case of close relationships. It works "analogously" and with the same force of offline relationships. Online social networks also operate quite similarly in personal/corporate-organizational relations with shared trust and risk management strategies (Csüllög, 2012).

Operating along algorithms generates common platforms and network management. These would be in management of companies, logistics, organizational development and

project management. Administration, along with other online associate frameworks in corporate-organizational functions, would also be included. They are less flexible between two stages of development, their codification limits usability, and their infrastructural vulnerability could lead to the vulnerability of human network as well.

Information economy, knowledge economy and the network economy model calls attention to the fact that networks are resources in themselves. Within a network technological innovations can spread easier and it is easier for companies and organizations to adapt to each other. They have a greater influence on each other to increase their effectiveness and competitiveness (Bharadwaj, 2000; Moricz, 2009, Seltzer – Bentley, 1999; Vergeer – Pelzer, 2009).

Network Competence, Education and Connectivism

Competence as a sum or as a framework of skills is closely related to the concept of a network. Social capital, the Internet or the digital community, professional platform management- just to name a few- assume complex capabilities. The network management capabilities and skills (Möller - Svahn, 2003; Ritter - Gemünden, 2003) outline a definite competence-portfolio (Vlasyuk, 2010).

The concept of network competence applies to offline and online network management and control. Also, the concept applies to self-learning solutions and to organized education at the same time. Traditional offline forms are moving to some extent to online networks. Online frameworks are newer, platform-oriented stages among competences.

The sustainability of digital networks and the increase of competitiveness altogether assume continuous innovation, competence development and education. Recent developments represent pre-studies, research, the company's/organization's opportunities and expectations to ease the whole network's competence. The development of competence is in this sense system-levelled and includes within the network all those who are involved in the innovation. Developed or adapted solutions are therefore not solely individual components. They also operate as restructuring devices (Henderson - Clark, 1990). Along proper network and digital competences in the digital environment, rapid changes make it possible for companies and organizations to achieve competitive advantage fast and/or on the long run (Grover - Kohli, 2013). Their success can be communicated, marketed, made visible, and in terms of marketing and in partner/customer loyalty – a leverage. As far as the involvement of related resources is concerned it is the process that is in the focus (Partanen - Möller, 2012: 491). It is important to continuously develop competences. In operation management of networking competence, co-operation, collaboration, competition and perceptibility (Vlasyuk, 2013:

970-971) all enhance the visibility and representation of success. Within networks an online community space or a knowledge-sharing portal can have a featured terrain that is being co-developed by an increasing number of organizations. This is based on social media and interactive content services. The activity started earlier in forms of mailing lists and later via forums. This provided some space for communication and by now social network sites have largely shifted to this type of activity (Csüllög, 2012).

Competencies themselves do not change quickly. In Vlasyuk's (2013) approach, they do not come up spontaneously, but along targeted efforts. They cannot be simulated. At best they can be copied. Competence development – within the framework of networking competence development – is defined by the connectivist approach. This is defined as knowledge shared across networks and is in itself an ability to construct this knowledge over networks (Downes, 2007). So networking competence in this sense is a 'meta-competence' This is a competence of accessing and the ability of developing competences.

Competitiveness, Network Trust, Vulnerability

Networking competences are in a dynamic interaction with one another and they promote corporate competitiveness for a strategic vision (Edgar - Lockwood, 2008 and Wang et al, 2012.). It is based on the thesis that a strategic network development approach is needed that is built on the so-called ICT fund (Partanen - Möller, 2012). This also represents value creation (Msanjila - Afsarmanesh, 2009: 4769).

The analyses of networks are not accidentally in the priority areas of strategic management (among others: Gulati, 2007; Jarillo, 1988; Lavie, 2007). Critical success factors map and build strategic networks, establishing strong network linkages and the firmament of protection against quakes. Effective networking is based on application of dynamic competencies (Wang et al., 2012), and the core element is trust.

Trust is a collection of personal beliefs (Berners-Lee et. 2006: 88). Competitiveness and the level of trust are fundamentally interlinked within networks. The results that mark a higher quality and creativity assume networks based on trust (Gloore et al., 2012). Trust and loyalty can be built and feature among companies and organizations in multiple ways. According to our study, the most important question is a sustainable level of online reliability. Can it be as reliable as its offline counterpart? Or, can the online discourse of reliability strengthen offline trust. A further question is how much these factors depend on digital tools and platforms, the human factor and what impact they would have in online/offline networks in the presence and absence of trust. What does risk imply within these networks?

Without trust the majority of online activities would not be viable. In case of online networks there are two formats of trust: 1) trust with reference to systems and 2) with reference to people. For example, in case of trusting systems we speak of web-based architectures (Nagy – Schubert, 2007). According to this, in online relations trust is closely related to a variety of digital tools as mentioned earlier in connection with the so-called post-trust Internet. Therefore, it is important to connect confidence with the use of these tools, and their development. According to all of these, it can also be examined with reference to the company's competitiveness.

Lack of trust can have many reasons. The most significant of which is incorrect communication, lack of information sharing and the unwillingness to share risks (Alawamleh - Popplewell, 2010). This question – among others – is answered by the MESH of companies. MESH is a response to the rapid evolution of technology solutions by results built on networks and sharing. In such networks, proper resources are only available until the company, the organization or consumers need the resources. Thus, these are trust products and services where the credibility of the network members and their reliability are standard (Gansky, 2010).

As far as trust is concerned, networks' informal relationships are important. Their mapping makes the understanding of important and strong linkages possible. In the restructuring of networks and via the network dynamics, these linkages may get damaged. Or, in contrast, they could develop (Sellitto, 2011: 27).

In contemporary economic networks companies', regions' or countries' productivity and competitiveness largely depends on their ability to effectively apply the obtained information. Therefore the networks should try to focus on the trust constituted by their built-up trust networks. This is in order to avoid panic, (Alawamleh - Popplewell, 2010) misunderstandings, errors and to reduce risks and vulnerability.

Trust also implies vulnerabilities – both in case of trust on tools and on human relations. Vulnerability can be reduced on the network level if the network is scale-free. It has sufficiently strong bonds and therefore is more resistant to random errors. If targeted, attacks can be prevented. These formal and informal bonds on corporate and organizational levels need to be carefully treated. Their removal may be critical so that network quakes can be prevented.

Using the latest digital equipment makes it possible for companies and organizations to collect data from their networks. They are enabled to collect from their strong and weak bonds and from the effectiveness of their communication channels, The data is derived both from the network's successful existence or from the network's incompetence. The last step is to analyse the results. Network resources and connections – based on the feedback – can be redesigned more effectively focusing on competitiveness and visibility.

Network Competence, Strategic Co-Operation, Collaboration

The size of a firm defines the strategic position the firm concerned can take within a business framework. The size determines whether it will become a nodal agency or marginal player. The strategic management of trust, networking competences and that of digital frameworks (Grover – Kohli, 2013) is of uttermost importance. This, however, does not only imply a framework, but also a daily routine at companies in online and augmented collaborative environments. Also, implied is a level of transparency and further functions. These determine the corporate strategy and vice versa.

The size of the organization and the organization's position within the business-network concerned provides its functional networking status quo (Wang et al., 2012). Position and linkage might only be qualified after entering into co-operation (Partanen – Möller, 2012: 491). Insight, analysis and the integration of networking competencies for this are indispensable. This is true both in case of nodes with tight linkages and in case of nodes with lose ones investigating separately the speed and methodology of a node's connectedness (Watson et al., 2004 és Vervest et al., 2004). Only an overall system can be error tolerant.

Networking competence is consequently the basic question of strategic co-operation. Its analysis requires the monitoring of the quality of collaboration (Partanen – Möller, 2012: 491) and that of a shared or alternative strategy (Grover - Kohli, 2013). Competitive advantage within this networking complexity is viable via a strategic point of view supported by education.

This is the reason why collaboration has become the organizational and inter-organizational key term for digital networks. Collaboration for common goals in a recursive, inter-embedded operation is the key focus (Martinez-Moyano 2006). In other words, collaboration is not solely co-operation. It is also a shared pursuit that might be complemented by creative devices, by cumulative competences, sharing knowledge, mutual learning activities and by online open frameworks. Members of networks are striving for consensus in their collaboration. Collaboration implies a networking rationale. It provides points of instruction and subsidiary networks within networks. However, this can be decentralized. For example, they could get access to resources in groups and that would make them increasingly effective. At the same time, this will promote further competence development.

Networking Visibility and Reputation

Visibility is a basic requirement for the nodes within networks. The extent of visibility depends on corporate profile, business embeddedness, vulnerability, risk factors. Also, the

visibility depends on communicational strategies and marketing/PR targeting. Competition and visibility together (Vlasyuk, 2013: 970-971) enhance the visibility of success as seen above. The extent of visibility has become even significant within online embeddedness. The organization, people working within these organizations, the ones in collaboration with the organization all produce, share and traffic masses of digital data. It is of strategic importance what/which segments of this data will become available, visible, recognizable and with what implications. Just think of the fact that the good reputation of a corporation can be ruined on account of a piece of information that has gone viral on an online social platform. The impact and the vulnerability of visibility are obvious.

Honour and reputation also have implications for partnership and for third party or parties (Hurwitz 2013, 1611) within a framework. This refers to interconnectedness that might also generate commitment (Mithas et al. 2013: 521). Reputation becomes recognizable and identifiable in interconnectedness. The question is to what extent we should extend or limit networking to achieve trust and reputation. Extension may generate new connections while limiting visibility will also decrease risks (Alawamleh – Popplewell, 2010: 6046).

The more transparent the interconnectedness of the networks, the more visible are networking relations. Tighter bonds will form and random quakes may occur. The increasing visibility of a node will in turn increase the visibility of further nodes. The more open and free a network, the more visible and accessible it becomes. This might imply a smoother access to already existing and prospective B2C, B2B and B2G relations. Also, implies an increasing trust of consumers. Yet it might also implicate vulnerability and could benefit competitors. "It is easier to observe provisions and, then, to copy them." (Mithas et al. 2013: 519)

The online visibility of networks consequently constitutes issues of reputation and vulnerability. These rely on organizational and inter-organizational collaboration. This implies the availability of marketing, PR, HR and data security functions. Also, implied is the development of competencies that are needed for effectiveness and competitiveness.

Research

Based on the theoretical background, we conducted a series of expert interviews in selected industries. The subject of the interviews was the level and the impact of corporate network competencies (innovative digital technologies, online networks) concerning the competitiveness of companies. The survey methodology consisted of semi-structured interviews for the purpose of studying the junior management staffs of dynamically changing companies.

This is based on or engaged in the development of network competencies. These managers have relevant information concerning the subject of the research. The planned number of interviews has been between 25 and 30 for a sampling. Sampling is to be specified later by saturation analysis. Our basic questions were:

- How do the social and business networks, using the Internet as a scale-free network, measure the vulnerability and risks of the digital/online networks?
- How do they prepare for the impacts of big data? How can they turn it to their advantage?
- What kind of innovations, communication and education help to reduce the vulnerability and the risk?
- How much does it depend on the size of the company/firm/organization/network?
- How much does it depend on the industrial or other embeddedness of the company/firm/organization/network?
- How much do they find the technical and digital embeddedness determining and how much the human/organizational decisions?
- Which of the two primarily affects efficiency?
- How do network size and the level of competence relate? What are the natural and artificial network regions?
- What are the areas where ecological, technical administrative labour-division etc. networks intensify?

Preparing sampling, recruiting respondents

The research plan envisaged making 30 interviews. In the preparation of the sample, we planned to interview in 80% representatives of companies where either digital innovation or the use of digital networks plays a crucial part in their business profile. The remaining 20% were intended to be made up of manufacturing and service companies.

According to the planned sampling procedure, the respondents were contacted through personal channels (in person, by phone, by e-mail) with 10% of the planned sample. Those contacted included a tool manufacturing company, an online agency and a company that develops portals for posting media content. After the first interviews, we asked them to recommend people from their own networks that could be relevant in terms of the research topic (snowball sampling). In this way, we contacted additional respondents.

Snowball sampling worked well in the sense that one participant led us to another. The experts interviewed recommended respondents who worked in the same or a related domain. This method also helped us to include companies of different sizes in the sample since small

companies can relate to bigger ones. The larger ones are also in connection with small ones. Thus, we reached participants from all levels of the networks identified.

The number of interviewees was 26. The scope of respondents was that of junior managers (senior managers in small companies) who had relevant information concerning the competencies of their own company networks and could give useful answers to our questions.

After making an appointment on phone or via e-mail the interviews were conducted at a place designated by the respondents. Mostly, this was in their workplaces in December of 2013 at the time requested by each respondent.

Basic data

The answers of the interviewees to each question depart along certain parameters. More specifically, some characteristics of the company determine what the respondents think of the questions we examined. These parameters are as follows:

• Companies

The usefulness of the interviews largely depended on whether we managed to interview companies of different sizes, activities and clientele. In terms of networks, different problems arise in organizations with different parameters. The individual companies can give answers to such problems based on their own characteristics.

• Scope of activities

With regard to the scope of activities, we divided the 26 companies we had contacted into two groups. The groups were according to whether there were any IT products or services that played a crucial role in their business profile. More than half of the companies had a "digital profile". Their scope of activities in more detail: The largest group (31% of the respondents, eight experts work for such a company) is made up of companies dealing with IT development and operation. We reached four companies with a marketing profile, and we spoke to the employees of three manufacturing and three financial firms. In addition, the sample included two non-governmental organizations, two trading companies and two companies providing technical services. We also interviewed a firm dealing with education and one providing telecommunications services.

• Clientele

The companies employing our experts have contacts with mostly corporate clients. Seventy-six percent can be regarded as purely B2B suppliers and four companies serve retail/private customers. Their corporate customer base is most important, though. Only two of the experts interviewed reported that their companies focused primarily on retail customers. Their networks included corporate clients as well.

● Company size

In terms of company size, almost one out of four companies employ less than 10 people. More than one third have between 11-50 employees, i.e. almost every second firm is a small enterprise. One company with 51-250 and one with 251-500 employees belonged to medium sized enterprises. There were 5 large companies: one with 501-1,000 employees and four employed more than a 1,000 people.

● Respondents

In addition to the respondents' companies, it is also worth examining the demographic parameters of the interviewees. From this point of view, our sample is rather homogeneous. No significant differences were observed in the responses of the experts according to their age or sex. Here, the homogeneity of the sample was more striking.

● Age

Seven of our experts were under 35 years and more than thirty-eight percent were between the ages of 35 and 40. Thus, almost two-thirds of the sample is made up of young company managers under 40. We had eight respondents between the ages of 41 and 50 and only one above 50. If we examine the companies with a "digital profile" from this point of view, we find that they have much younger experts. In this group, forty-three percent are under 35 and seventy-nine percent are not more than 40 years of age!

It is worthwhile dealing with age statistics from these companies in a little more detail. All of the seven experts pertaining to the youngest age group (up to 35 years) work for a company or in a position with a "digital profile" and six out of ten in the next age group (between 36-40 years). Except for three people all the companies with a "digital profile" in our sample can be linked to these young managers. All of these are IT start-ups dealing specifically with the latest technologies (music streaming services, online advertising, online communication and image, mobile applications, etc.). In older age groups, we spoke to the employees of three firms with a "digital profile". However, they have a wide and deep knowledge of the industry, which provides them with outstanding possibilities. Two of them lead a successful business as owners. One of them provides M2M network services to German customers. Apart from him, only employees of the largest Hungarian provider report in our sample. A third, older expert holds a senior position in this company.

● Sex, education

In our total sample, there are only three female respondents, two of whom work in the technical and commercial field. We had only one female respondent from a company with a "digital profile". Here we need to mention a remark by one of our experts who deals with the development of small businesses, in particular, the support of female managers. She attaches

great importance to the development of the IT system of companies and the development of the digital competencies of the managers who are in contact with the organization. In her opinion, the level of competence of female managers is much lower than that of their female counterparts- regardless of their age group. In addition, she finds that aversion to modern technology is more common among women than men. Also, in terms of education, our sample can be regarded homogeneous: all interviewees had higher educational qualifications. (See Annex)

Analysis of the information obtained from the interviews

Our research aimed to describe the system of business relations of companies through network dynamics. The wide-ranging networks of companies – the main components of which include the customer base, the partner base and the employee base – can be described with the characteristics of the networks. This is because the basic definition can be related to these systems. However, these systems or certain parts thereof do not necessarily bear the typical characteristics of networks. For example, a customer base is not necessarily organized in a network. There are not necessarily relationships between the individual customers. Nevertheless, the entire system of relationships of the company can be considered as a network.

Thus the extension of this system of relationships does not always happen with network tools. For the companies, the most important thing is to attract and retain customers. To this end, they employ various marketing methods, but apart from a few exceptions, network dynamics in the extension is less typical. Many companies perform networking-like activities to extend their networks. Here, however, formal networks and their nodes play an increased role. Due to the IT and digital focused profile, sampling the online solutions gets strong feedbacks with cautions. The latest innovations and online tools are only part of the frequented tenders, but the daily practise presents a single or several long versions that had been tested earlier. Corporate managements play safe because of long term agreements, partnerships and potential customer loyalty.

Competitive advantage and visible success
Based on the basic hypothesis of the research, those companies which employ the latest digital and online tools are both measurably (efficiency, growth, sales) and observably (marketing/brand awareness, PR, partnership and consumer loyalty) more successful than their competitors.

The interviews showed that companies that employ digital innovation appropriately can indeed gain an advantage over their competitors by using modern technology. The key question, however, is what technologies they integrate into their operation. Also, how the general principle in this area is "the right tool for the right purpose". Our respondents find that the applications supporting operational functions, coordination, and project management make work more efficient. Our experts attached the greatest importance to network applications that enable efficient joint work from home or in the form of teleworking. Thus the digital innovation brought the greatest breakthrough in the field of resource management.

However, the introduction and operation of these systems requires an expertise that many companies lack among their resources. Therefore, it is becoming more and more common that IT systems are operated by a third-party or outsourced.

In the "visible success" dimension, the online and network tools have proved to be as useful as offline methods. In this respect, our respondents did not report any difference. Maintaining an online presence in the dimension of "visible success", maintaining an online presence also consumes resources. Accordingly, such campaign activities are mainly performed by large companies.

Development of competencies

We assumed that the networks of the analyzed segments regularly use external and internal solutions for development and self-education. Specifically used in the areas of digital, online innovation and competencies.

In our sample, companies with a "digital profile" are firms where some kind of network or digital innovation as a provided service plays a major role in their business profile. These companies constantly develop their digital competencies through organized and informal training. Mainly, though, they are developed through self-education using online tools. This has the main purpose of learning about novelties emerging in the market on a user and developer level. Among traditional companies, digital innovation does not play such a crucial role in their course of business for digital training to be important. Instead, training into system management is provided when the company governance, task management or database management system are introduced.

Digital innovation

We assumed that companies use competency development to be able to introduce new tools, make the amount of data increase and the data explosion manageable. Also, to allow risks to be reduced. Education is provided in several channels in several related networks.

Network competencies (for the moment we speak only of natural networks) enable individuals to find their way in the relationship net surrounding them. Also, to identify those groups and individuals who if contacted can help them get closer to their goals. In this sense, the interviews showed that the most important network competence development method can be found within the organizations. They show the job of the individual work groups or divisions to other divisions, or, within a division, the work of colleagues to each other. Network competencies are more in focus in companies where networking activities play a crucial part in their business profile. These include: non-governmental organizations and companies providing financial services.

Training, preparing or accompanying digital developments is not so much about the development of network competencies (unless in a specific IT technical sense).Rather, it is about understanding systems that support work processes and effectively mastering their use. Such training really appears outside the internal networks of companies as well. An essential condition for effective co-operation between companies is to be able to satisfactorily manage each other's IT systems (especially in the case of the suppliers of a multinational company). The main aim of digital networks employed by non-governmental organizations developing small enterprises is to develop the digital competences of its members.

Apart from this, other aims of digital developments are mostly to support work processes, enable joint work-teleworking and database management. Technical solutions play an elementary role in eliminating the increasing data quantity and vulnerability. This is except for the companies where data handling is a particularly sensitive area due to their activity. Those companies reside in the banking sector and nationwide providers with high customer traffic.

To protect the data and to reliably manage the increasing amount of data, special technical solutions are developed. These require a high level of special expertise in mathematics, information technology to introduce and manage such solutions. Thus companies either fully outsource these tasks (a big data commission can be rather costly), or entrust the management of systems to an in-house system administrator. The employees absolutely need the knowledge about the technical part of IT which can be acquired through the company's IT department or through organized corporate training.

Corporate management realises that digital skills and tools are part of employees'/partners' private and professional lives. Two consequences result from these facts. First, employees/partners' have self-motivation to collect useful information concerning digital devices and new trends in digital networks. Secondly, employees/partners are digitally linked. Their ignorance and their carelessness implicate some risk for the company. The characteristic man-

agement strategy is the simultaneous use of recommendations and regulation. The management function is based on the eventual confidence in online network context.

Competence development and competitiveness

At the beginning of our research, we thought that companies would find it essential to understand and develop online network competencies. This would be to become more competitive and efficient. However, offline networks are treated with primary importance by using traditional tools to build trust and reduce risks.

Understanding and developing online network competencies is fundamental. This is in the sense that the popularity, usefulness and efficiency of IT systems based on network solutions make day-to-day orientation more efficient and less resource intensive. As a result, the companies that use these solutions can enjoy a "competitive advantage" in this area. These network solutions are basically not aimed at expanding and building the network, but rather support work processes. They enable operative communication in connection with work processes.

The natural networks are indeed managed and maintained mostly in person. The interviews showed that at the international level and more importantly in a local context, business relationships are determined by the quality of personal relationships and professional values. One note of caution is the risk that personal relationships invade business life and loyalty overrides professional considerations.

Digital innovation as an investment

We assumed that the introduction and operation of digital innovation required additional resources. The examined segments view this as an investment and develop accordingly their material and intellectual resources.

Depending on the segment examined, the experts have a rather varied opinion of digital and network developments. It is the companies with a "digital profile" that realize the importance of developments. In particular, the applications supporting work processes. However, since most of them widely use open source software, the issue of return on investment is less important.

Among the traditional companies, it is the large enterprises active in a special market environment that pay the most attention to this area. Medium sized companies generally follow the big ones after some delay. Whereas the level of digital competency of small enterprises largely lags behind both at international levels and compared to local large companies. Generally speaking, traditional companies spend on digital development if it is required by their

market position. Or, if the development is so efficient that it enables them to save resources thus they can reduce their costs. Some IT professional respondents regard digital developments as value added improvements that yield a return in the long run.

Vulnerability

According to one of our hypotheses, companies simultaneously employ preventive and proactive solutions in their online and offline networks in order to eliminate the vulnerability of networks,

The vulnerability of natural networks is mostly reduced by the management or an appointed company division by keeping personal contact with the customers and preserving good personal relationships.

The vulnerability of digital networks has a totally different meaning. On one hand technical problems and loss of data. On the other, deliberate external attacks can cause destruction. As already mentioned, the protection of digital networks usually involves using specific technical solutions. These are not the kinds of issues that non-technical staff could manage. Therefore, the management of digital networks is either outsourced or dealt with by the company's system administrator.

Summary

The segments examined show different patterns regarding the intensity of use and efficiency of online networks. Digital tools are highlighted as well as risk management according to the size of the network expansion. Also displayed is the type and quality of the network, the type of industrial and business embeddedness, and the generations represented.

According to our research, the digital competences of companies are influenced by several factors:
– company size
– scope of activities
– type of partnership network
– type of customer base

The highest level of digital competences can be found in large enterprises, companies with a "digital profile" and such small and medium sized enterprises whose partners include multinational companies and large corporations. The lowest level of digital competence is experienced in small companies and manufacturing firms.

As suppositions for a future quantitative survey, we can state the following:

Digital network solutions used for the purposes of networking is mostly typical of B2C large enterprises, or firms and organizations where the development of (natural) networks plays a crucial part in their business profile (non-governmental organizations). The staff of companies with a "digital profile" play a leading role in terms of utilizing informal professional communities and networks (both online and offline). This mostly involves professional communities, professional platforms and meetings.

Acknowledgement

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ANNEX
Company and respondent profiles

Company profile	Respondent profile
1.	
Medium-sized enterprise. Manufacturing and trade in custom-made tools. A Hungarian member of an international group of companies. Staff: 11-50 people; B2B	Senior manager. Male, approximately 40 years old, with higher educational qualifications. He specializes in mechanical cutting and trade.

Company profile	Respondent profile
2.	
Small enterprise. Online communications agency – creation and operation of websites, social media presence, development of online and mobile games and mobile applications. Staff: 1-10 people; B2B	Senior manager. Female, 35 years, with higher educational qualifications. Account manager, project manager

Company profile	Respondent profile
3.	
Small enterprise. Portal development to display media content. Website management for online media industries and the press department of organizations. Staff: 11-50 people; B2B	Senior manager. Male, 37 years, with higher educational qualifications. Business development - strategic planning, product development, organizational development

Company profile	Respondent profile
4.	
Large enterprise. Leading role in the field of insurance and financial services. A Hungarian member of an international group of companies. Staff: over 1,000 people;B2C, B2B	Middle manager. Male, approximately 35 years old, with higher educational qualifications. He specializes in the development of insurance and financial products.

Company profile	Respondent profile
5.	
Small enterprise. Activity: IT services, operation. Staff: 11–50 people B2B	Senior manager. Male, approximately 40 years old, with higher educational qualifications. He specializes in information technology, operation, and software development.

Company profile	Respondent profile
6.	
Small business/family business. Wholesale of electronic devices. Staff: 1-10 people B2B	Senior manager. Male, approximately 50 years old, with higher educational qualifications. He specializes in marketing and wholesale.

Company profile	Respondent profile
7.	
Small business/family business. It deals with the wholesale of bicycles and accessories. Staff: 11–50 people B2B	Senior manager. Male, approximately 35 years old, with higher educational qualifications. He specializes in controlling and corporate governance.

Company profile	Respondent profile
8.	
Small enterprise. System integration, technical sales on AV and IT markets. Staff: 1–10 people B2B, B2C	Senior manager. Male, 37 years, with higher educational qualifications. Responsible for AV division, account management, project management, and company management

Company profile	Respondent profile
9.	
Large enterprise. It produces, develops and sells imaging equipment. A Hungarian member of an international group of companies. Staff: 251 and 500 people B2B	Middle manager. Male, approximately 45 years old, with higher educational qualifications. He specializes in marketing, CRM, market research.

Company profile	Respondent profile
10.	
Small enterprise. Adult education in IT, one-on-one and corporate IT courses, online training materials. Staff: 11 and 50 people B2B, B2C	Senior manager. Male, 35 years, with higher educational qualifications. Company management as he is the owner, professional management, curriculum development

Company profile	Respondent profile
11.	
Medium-sized enterprise. Communications agency - already offline as well. Creation and operation of websites, social media presence, development of online and mobile games and mobile applications, ATL, BTL communication. Staff: 51 and 250 people; B2B	Middle manager. Male, 37 years, with higher educational qualifications. He specializes in high-capacity databases and data management systems, big data (for large enterprises)

Company profile	Respondent profile
12.	
Medium-sized enterprise. She offers technical services, person, product and system certification. A Hungarian member of an international group of companies. Staff: 51 and 250 people B2B	Middle manager, female, approximately 40 years old, with higher educational qualifications. She specializes in marketing and training.

Company profile	Respondent profile
13.	
Non-governmental organization. Lobbying, protecting the interests of Hungarian advertising, the IAB's digital division. Staff: 1 and 10 people (+members) B2B	Senior manager. Male, 34 years, with higher educational qualifications. Communication, organization, keeping contact, lobbying

Company profile	Respondent profile
14.	
Non-governmental organization. Development of non-profit organizations of public benefit and small enterprises – competitiveness, creating opportunities and sustainability. Staff: 1 and 10 people B2B, B2C	Senior manager. Male, 46 years, with higher educational qualifications. Company management, strategic planning, internal technological and methodological developments

Company profile	Respondent profile
15.	
Large enterprise. Investment bank, financial services. A Hungarian member of an international group of companies. Backoffice in Hungary, mainly IT development and controlling. Staff: 501 and 1,000 people B2B	Middle manager. Male, 39 years, with higher educational qualifications. IT development and project management

Company profile	Respondent profile
16.	
Large enterprise. Activities: banking and financial services. Major player in Hungary. A Hungarian member of an international group of companies. Staff: over 1,000 people B2C, B2B	Middle manager. Male, approximately 45 years old, with higher educational qualifications. He specializes in marketing, CRM, and market research.

Company profile	Respondent profile
17.	
Small enterprise. It deals with the development of custom software, mobile applications, and web-based solutions. Staff: 11–50 people B2B	Senior manager. Male, approximately 30 years old, with higher educational qualifications. He specializes in information technology and software development.

Company profile	Respondent profile
18.	
Small enterprise. Development and operation of ad serving systems for media companies. Staff: 11–50 people B2B	Senior manager, male, 35 years, with higher educational qualifications. Company management, commercial and communication tasks.

Company profile	Respondent profile
19.	
Medium-sized enterprise. It deals with direct marketing and call centre services. Staff: 51–250 people B2B	Senior manager. Male, approximately 45 years old, with higher educational qualifications. He specializes in direct marketing and advertising.

Company profile	Respondent profile
20.	
Small enterprise. Development and integration of ERP software, CRM systems and document management systems. Staff: 1–50 people B2B	Senior manager. Male, approximately 50 years old, with higher educational qualifications. He specializes in software development and system organization.

Company profile	Respondent profile
21.	
Small enterprise. Music streaming services, music store services. Staff: 11–50 people B2B	Senior manager. Male, 36 years, with higher educational qualifications. In addition to company management, he is responsible for most of the sales/ commercial and HR tasks.

Company profile	Respondent profile
22.	
Large enterprise. Three areas of activity: telecommunications, application development, and IT infrastructure. Staff: over 1,000 people B2B	Middle manager. Male, 48 years, with higher educational qualifications. Head of network solutions competency centre.

Company profile	Respondent profile
23.	
Small enterprise. Software development – engineering company, outsources its own workforce to 2–3 large companies. Staff: 1–10 people B2B	Senior manager. Male, 52 years, with higher educational qualifications. Company management, software development, and project management

Company profile	Respondent profile
24.	
Medium-sized enterprise. It produces and sells engineering and automotive parts. Staff: 51–250 people	Senior manager. Female, approximately 35 years old, with higher educational qualifications. She specializes in finance and controlling.

Company profile	Respondent profile
25.	
Large enterprise. Telecommunications, ICT (Information and Communications Technology). Staff: over 1,000 people B2B, B2C	Middle manager. Male, 34 years, with higher educational qualifications. Marketing- service-development, product management, portfolio building.

Company profile	Respondent profile
26.	
Small enterprise. System certification, an organization accredited by the National Accreditation Board (NAT). Staff: 11–50 people B2B	Senior manager. Male, approximately 50 years old, with higher educational qualifications. He specializes in the development and auditing of management systems.

Katalin Fehér is senior lecturer and new media researcher at Taylor's University, Kuala Lumpur, Malaysia & senior research fellow at Budapest Business School. She was born in 1974, Dunaújváros, Hungary. PhD in Communication and Media, head of research and development at Digital Identity Agency Inc., member of the European Communication Research and Education Association, the European Society for Aesthetics and the Hungarian Communication Studies Association, expert of Tempus Public Foundation. Current research projects: head of Digital Identity Strategy research project in international open source network, head of Systematic Analysis of Network Competences research project at Budapest Business School Research Centre, supported by Hungarian Ministry for Human Resources, research fellow in International Mobile Studies hosted by IGI Global. Research interests: trends of digital and virtual media, network impact in new media. Current focus of interest: digital identity, digital culture, social media, network society and business. Last publication: Katalin Feher (2013) Digital Urban identities. In. C. – Tarantino, M. – Tosoni, S. (eds.): Media & The City: Urbanism, Technology and Communication. Giaccardi, Cambridge Scholars Publishing. Personal website: www.katalinfeher.com

Zoltán Veres was born in Hungary. He received his university degrees from the Technical University of Budapest (Masters degree in Electrical Engineering) and the Budapest University of Economic Sciences (Masters degree in International Business). He obtained his Ph.D. in economics, at the Hungarian Academy of Sciences. More recently, he obtained his habilitation degree at University of Szeged, Faculty of Economics and Business Administration.

He worked as project manager of numerous international industrial projects in the Mediterranean region (e.g. Greece, Middle East, North Africa) between 1977 and '90.

Since 1990, he actively participates in the higher education In 2011 he was appointed professor of Marketing at the Budapest Business School (BBS), Hungary and in addition he was also Head of Research Centre at BBS. He is

actually Head of Marketing Department of the University of Pannonia, Veszprém, Hungary.

He has had consultancy practice and conducted numerous research projects on services marketing and project marketing. In 2001 and 2002 he was Head of Service Research Department at the multinational GfK Market Research Agency.

He has more than 200 scientific publications, including the books of Introduction to Market Research and Foundations of Services Marketing. He has been editor of series to Academy Publishing House (Wolters Kluwer Group), Budapest. He has been editor of journals Revista Internacional de Marketing Público y No Lucrativo, Spain, and Marketing & Menedzsment, Hungary. He is a member of the Committee of Marketing Sciences at the Hungarian Academy of Sciences.

"MEDIA IS VERY IMPORTANT BECAUSE LUXURY IS ABOUT STORYTELLING…" – INTERVIEW WITH
LAURENT KORNFELD, GENERAL MANAGER OF LUXURY PRODUCTS DIVISION AT L'ORÉAL HUNGARY

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Q: Hello… First of all thank you for your time. My first question is about the brief history of the corporate brand, this famous corporate brand, l'Oréal. So what can you tell about it in a few words, in a few sentences?

A: L'Oréal is a french company which was created more than one century ago, exactly in 1909 and it is today the biggest cosmetic group worldwide, with sales of 23 billion EUR last year. It is present in 130 countries with all around 70 000 employees. It is a multinational company, present in every continents and which has today 28 international brands. If I focus on Hungary the subsidiary was created in 1994 and we have 4 main divisions in l'Oréal Hungary which are each distributing different categories of products in different channels of distribution. The biggest one is the consumer products division, it is for products of mass market channels, like supermarkets, hypermarkets or drugstores like Dm or Rossmann and here we are distributing brands like l'Oréal, Garnier or Maybelline, for example. The second division, which we call Active Cosmetics division, is a division which only distributes brands in pharmacy channels, like Vichy or La Roche-Posay brands. Another division is l'Oréal Luxury division with luxury cosmetic brands like Lancome, Giorgio Armani, Yves Saint Laurent , Biotherm or fragrances brands like Ralph Lauren, Diesel, Cacharel. And here we are distributing these brands only in parfumeries in Hungary. These are mainly chains like Douglas, Marionnaud and Müller chain. The fourth division in Hungary is the Professional Products division. These are products for hairdresser salons with brands like l'Oréal Professionel, Kérastase, Redken and Matrix. So you see a quite large portfolio with dedicated brands with different positioning in each different channel of distribution of cosmetics. Worldwide we have this similar organization. The other division present internationaly is the Body Shop, a brand which was purchased by l'Oréal in 2006.

Q: What is very interesting for me from the viewpoint of brand building, it is beginning of the brand building in the past, you know, when they began to build up this famous brand and, I mean, the steps of the first period.

A: It was, I would say, many brands were acquired, let us say, during the last fifty-sixty years, so...

Q: Who was the founder of the brand?

A: Founder of l'Oréal was Mr. Eugene Schueller. He was in chemistry and he started with making products for hair coloration. And he developed the brand l'Oréal. Thereafter each division at different moment acquired brands and developed them. An important acquisition was, I think, eighteen years ago when we purchased the american make-up brand Maybelline and its sales grew from 300 million $ to 2.7 billion $ last year by developing it worldwide. Regarding the last five-six years I could mention new acquisitions of new brands like Clarisonic which is an american brand, growing fast on the segment of instrumental cosmetics. We acquired in 2008 the Yves Saint Laurent beauty brand, a strategic acquisition which strenghtened our position in the luxury segment. Also recently the american make up brand Urban Decay, which is targeting young heavy users of make up. So it is really often we identify a brand which is local and we develop it and make it worldwide into an international brand.

Q: Yes, so it means l'Oréal brand was always so profitable that it can acquire a lot of brands continuously.

A: Yes, but each brand has to be an added value for the portfolio, they are for different target groups, for different categories and it can be sometimes a specific local one but mostly they can be internationally developed.

Q: What is the mission of l'Oreal? I mean, mission statement?

A: It is to offer beauty to women and men of the world.

Q: A very simple mission but not easy to cover it...

A: Our vision is that... we have one billion consumers and our ambition is to recruit another one billion new consumers. On one side population is ageing and offering huge opportunities

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to develop new segments and we have also in some continents, like in Asia, India or Africa a huge potential for new consumers.

Q: What is your basic philosophy? Is it to invest into getting information about consumers, for example consumers' opinion, customer satisfaction or you invest into the communication to make influence on the target market.

A: I would say, first we must have a deep analysis of our brand, to know what would be the touchpoints to the customer, and after to develop these benefits of this brand and to communicate them, through the media, for example. But we have a large portfolio, with brands which have different business model with sometimes no media. You can build brands through different tools and media is one if these tools but it is not systematically the communication which will be the key-driver for all of our brands. We have brands with huge media communication budget but we have some business model for brands which have not at all, I would say, pure media – like TV, Press – where the shopping experience, the prescriptors will have more weight.

Q: Was anything different or specific in the Hungarian brand building as compared to the Western European market?

A: I arrived in Hungary in '94, so it was really a new era of competition for new markets, developing fast. At that time I saw differences between Western Europe and Hungary on the distribution which was not as developed, there were no hypermarkets yet for example; the marketing tools were not as developed either but there was for sure already big enthousiasm among consumers to get new brands, to discover new products, even in term of cosmetics. They had a large scale to select which in the past had not been present. So at that time, yes, it was a huge work not only to build a brand, but to educate consumers on the products routine usage and frequency. I give you an example in skincare... I would say, women used one or two products to clean and to take care of their face; our role is also to explain them that you have different needs, different expectations and for such purpose different routine of products to be used which go far beyond the usage of 1-2 products. I remember that in '94 the consumption of suncare products in Hungary was not so developed. People were accepting to get sunburn at the beginning of the summer and were thinking their skin will be so protected for the next sun exposition. It is a dangerous and unhealthy attitude, so it was one of our main mission to educate people about the danger being on the sun without protection

and how to use different products with the help of dermatologists, journalists to explain to consumers that you have to protect your skin through products of different sun-protection factor. Education was key on such underdeveloped market at that time in Hungary.

Q: Was the development here in Hungary continuous, or there were, how to say, critical periods in the brand building here?

A: No, I am quite positive on the development of the cosmetic market, I would say, I have been twenty years working in Hungary and in other countries but level of sophistication of brand development on new segments of new products is very similar now to that of Western Europe. The launch plans are continuous and quite similar. As for frequency of usage, purchase of premium products is maybe less developed than in Western Europe but their choice and their offer are very close to Western Europe, you know.

Q: What about the last years of crisis? Do you feel it?

A: Well, for sure, market development was not as dynamic as in the '90s, even some markets were suffering in declining, so it depends by segment. We can see that people went on some segments to the lower priced products, but still from our side we try to develop market by launching novelties, added value products which will fullfill consumers expectations. In the last months we have a feeling that cosmetics market are back to growth in Hungary. Adding to that many companies reduced investments these last years but as I said, l'Oréal tries to keep dynamic support to develop its brands.

Q: Do you experience any stagnation in the luxury category or in the premium category in Hungary?

A: So I am working in the luxury cosmetic product category which we estimate is back to growth in Hungary since last year. Nevertheless it is still underdeveloped compared to Western Europe. We estimate that in Western Europe in the total cosmetic market, the luxury segment is around 22-25 percent of the total cosmetics sales. In Hungary it is around 9 percent of the total cosmetics. The first reason for this difference is the purchasing power: the Hungarian one is not at the same level as in Western Europe, your channel of distribution is less developed, the average basket in units and in value is lower, and it is true that the level of sophistication of consumption is lower.

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Q: But basicly in their behaviour hungarian consumers are different or are the same in this product category?

A: You mean in the luxury category?

Q: Yeah.

A: It is a difficult question. I would say that, maybe, what is still striking in Hungary, but it is not only in luxury category but in the whole cosmetic segment, is price sensitivity which is quite strong. There is also a very strong attractiveness to novelties. The biggest european market of fragrance is France, which has the Top ten best seller fragrances quite stable over years. In Hungary there is less loyalty for fragrances, novelties have strong impact, but can disappear within a short cycle. You have more than one hundred fragrances launched every year in Hungary, and more than its half disappear after three years.

Q: Ok. And now tell me a few words about your personal career at this company.

A: I did my study in France, I finished it in a business school in Reims, a city close to Paris and started my career at l'Oréal Hungary where I was starting..

Q: Immediately…

A: Immediately after I finished my studies I started at l'Oréal Hungary with marketing and brand management responsabilities. At that time I was in the mass market division where I was working on hair care, skin care… these were on the two main segments of l'Oréal and Garnier brands. So I had a great opportunity to develop and launch new brands in Hungary and after eight years on marketing and some sales experience in this division, I got the opportunity to work with another division which we call Luxury Products division. It is a different business model, another market and other competitors, …it was a great new challenge. And it is since 2007 that I have been working at l'Oréal as General Manager of the Luxury Division for Czech Republic, Slovakia and Hungary.

Q: It means you had to learn the profession and the practice here in this market, in Hungary, after getting your diploma.

A: Yes, it is true, I arrived to l'Oréal for my first job... Fortunately as a student in France at many business schools at that time in the '90s it was compulsory to make several internships in different companies. So that was a great advantage for me on one side to have already in different multinational companies some work experience of 3-6 months to understand the world of multinationals and corporate culture, to decode organization...it was an asset and after my arrival to l'Oréal Hungary - it was eight months after the subsidiary creation - there were only around 40 persons at that moment, we were like a start-up with a very strong growth. It was really a fantastic opportunity to learn, to get responsabilities with a management of experienced international managers bringing to l'Oréal Hungary the l'Oréal culture, the multinational experience.

Q: Did you have any relationship with Hungary at that time?

A: What do you mean by relationship?

Q: Personal... of family...?

A: Well, the fact is that my parents have hungarian origin, they left in '56 the country and then they started a new life in France. We lived in Paris and during my childhood, just by hearing sometimes people speaking hungarian, I was able to speak it quite fluently when I arrived in Hungary in '94 to start my career.

Q: Was it an advantage for you to get the job, this background of yours?

A: I would say the fact that I can speak fluently hungarian was for sure an asset, that it helped my integration to the company. It was an opportunity to be able to discuss with colleagues in their local language, to make presentation in hungarian internally and externally.

Q: Was there any competition for the job?

A: Which I got? Yes, in France to get such a job was challenging. You had to make many interviews, but I would say, my business school experience, my internships and my hungarian knowledge in term of language were real assets.

Q: I think, even if you have hungarian roots... to some extent it could be a kind of intercultural, how to say, adaptation for you to begin your work here.

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A: Yes. The fact is that I was born in Paris, and I spent my first twenty four years in France, so I was raised in a french environment, especially in terms of work experience of what is marketing, communication and I was really influenced by this french culture. But when I arrived in Hungary, majority of the colleagues were hungarian, and they were pleased that there was a french colleague coming who can speak their language, have an easier contact. It helped my integration and to get the confidence of the team. I can say that even today, after twenty years I get often a positive feedback from people I met anywhere that they are very happy that a foreigner can speak hungarian. Even if I have a terrible french accent when I speak hungarian.

Q: Can you mention to me any success story from your career in Hungary?

A: Success story, well, l'Oréal is a challenging company, so it is true, that you need to show on the table what you can do, to be ready to accept new challenges. I worked for different brands, in different markets, I had the opportunity to change division and this is due partly to my achievements. One of the biggest was the Fructis shampoo brand, which was a real big launch on a highly competitive market and a strategic goal for us. I launched other different brands, I increased our market share but - I would say - my biggest success was always a team success. When you are able to change the situation of a brand which has some difficulties or to succeed in a very important launch, most of it is to impulse your strategy and goals through dedication, enthousiasm and passion to your team. I am always thinking of team playing, this is maybe my best personal reward, if my colleagues and the teamwork are successful.

Q: Anyhow, even if you feel that your adaptation process was very successful in Hungary, perhaps you can mention to me, kind of, intercultural shocks or curious intercultural experiences here, in Hungary.

A: Shock is a strong word, because – to be honest – I did not experience shock. I arrived in '94 and in Hungary. At that time l'Oréal company was very „fresh", it was eight months after the creation of the subsidiary and I found at l'Oréal Hungary this multinational culture, this dynamism with an international top management bringing experience and values, sharing a spirit of conquest… so I was not shocked. Maybe at the very beginning, the biggest surprise was that all the new people starting their job at l'Oréal, like me at that time, they were coming from the best universities and most of them had never done an internship in a company. It was really strange for me because an important part of my knowledge, when I was a student, was learnt thanks to internships in companies where you could discover organizations, the

interactivity required, how to be quickly operational. So at that time in L'Oreal, we were starting together with new colleagues who for the first time experienced a company environment, trying to understand the organization, the key levers of making things happen. Some had difficulties. Taking initiatives, not being afraid of doing things beyond our scope, having an entrepreneurial spirit… maybe at that time these were attitudes not shared by everybody among beginners. But thanks to l'Oréal selective recruitement we had this young generation which was fulfilling this ambition and spirit. So as for great intercultural shocks… I did not feel so much. When in 2007 I started to work with three different teams, the Czech, the Hungarian and the Slovak teams, here I experienced cultural differences between the teams… and these teams have to work together.

Q: What do you think on difficulties…

A: Each country has specificities, different work style, ways to communicate, to apprehend business, the decison power can be playing between countries. Especially in terms of internal communication, we had to work on it; communication through mail for example were sometimes creating tensions or misunderstandings. On our side, we asked colleagues to have a clear, simple, explicit communication without holding several layers of meaning and nuance. Once these colleagues were able to know each other better and especially to meet, we overcame these difficulties.

Q: But does l'Oréal take into account at all cultural differences or you implement your original corporate culture in foreign markets?

A: There is a strong l'Oréal culture, which is very important and is shared in every country. Our values are universal and express themselves in our daily actions: passion, innovation, entrepreneurial spirit, open-mindedness, quest for excellence and sense of responsability are present accross the globe. I find this corporate culture in every country I worked, but also the sensitivity which allow us to take into account local cultural differences.

Q: What would you propose to a brand new colleague coming from France to take into account in this country?

A: First is to understand, to learn as much he or she can about the country, about its culture, history, to meet Hungarians, to try to learn hungarian, which is a challenge, and really to open yourself, to listen and to have this curiosity about people, peoples' mentality, peoples' tastes and…

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Q: What is different in peoples' mentality according to you?

A: Well, as compared to a french people?…

Q: I know, it is a simplification but there are differences, I think… in working culture, for example…

A: Yes, but among our hungarian colleagues, most of them have strong openness to the international world, they travel, they live with these new tools of communication, we are in an international company culture so I would not point out big difference. As mentioned, in terms of communication…

Q: …time management…

A: …time management… More than time management, I would point out communication: we have often at L'Oréal informal discussion where decisions can be taken, new orientations chosen quickly so it is not like if everything is written, has to follow a long process before changes; these fast tracks of decisions and communication are not always part of the local working culture. Maybe this cannot be easy for whoever who want to have a guideline for everything, a long safe path.

Q: I think, you are trying to educate the staff here, I mean the hungarian staff.

A: Educate is not the proper word, to make them share the same values is important: the competitive and entrepreneurial spirit, not to be afraid of taking bets …we are part of a multinational group, but we are trying to have at our local level in Hungary a division acting like a start-up, where we keep this challenger spirit, the ambition and the dynamism of a newcomer. Taking risks, being highly reactive, …these are things, which are maybe not common at every company.

Q: I can say that you are a kind of bridge between the french and the hungarian market from managerial point of view, so is it a typical solution at l'Oréal when they enter a new market or developing a new market to send these kind of persons of bridge of two cultures?

A: Having been on the bridge of two cultures in my case was a great asset in my first assignment. For sure when we send someone in a foreign country we try to choose a profile with

international experience or multicultural profile but that is not always the case, I suppose that the potential of individual development is a key, too. L'Oréal is helping these managers to adapt to the country, not only by language lessons, but on supporting their integration, to understand the culture of the country.

Q: I see. How could you describe the typical consumer of the l'Oréal brand?

A: In Hungary?

Q: In Hungary and worldwide. If there is any difference.

A: As I already told you we have already one billion consumers. I would say the consumer who is purchasing for example l'Oréal Elseve shampoo is different of the one who is going to buy in a pharmacy a Vichy shampoo and it is also completely different when the one visiting a perfumerie to buy a Lancome skincare product.

Q: Well, you can limit yourself to your division.

A: To my division... The luxury division is managing brands on three segments: skin care, make-up and fragrances which is the biggest one. So the biggest consumers group in Hungary are the ones who could by luxury fragrances. I am excluding the consumers of mass market brands, whose profile are different than that of our luxury consumers target, able to purchase a fragrance which average price is between 9.000 and 25.000 forints. It is a premium product and our consumer (60 percent women and 40 percent men) are categorized as status A+, AB, generally urban, with a higher level of education. Moreover, our consumers in luxury have an envy, a wish for our luxury aspirational world. For them, we are offering a part of a dream of a brand, to make them share a unique and emotional shopping experience. To express it clearly, we have for example the Giorgio Armani brand: many of our consumers are not able to afford themselves to buy an Armani fashion clothe or an Armani bag, but maybe at Christmas, for a special occasion, they can purchase

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Laurent Kornfeld, General Manager of Luxury Products Division at L'Oréal Hungary

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an Armani fragrance, which is more accessible in term of price. With this purchase they will 'buy' a part of a dream of this Armani brand, and this is how we can target a bigger target group in Hungary. This segment is still small in Hungary, only around 9 percent of the hungarian cosmetic market, and therefore it is a wonderful and challenging mission to develop this luxury segment, to recruit new customers. It can only be achieved by building our brand, their universe, from the product design and features to the final shopping experience through a sum of tiny details.

Q: And now a larger step forward to the core topic of our interview. What is the role of media in brand building. What is the philosophy and the practice of l'Oréal in this field?

A: It is true that media is a key driver in our strategy. As I told you not all of the brands have a business model based on media but in FMCG category or in many brands in the luxury segment, where I work, media is a key driver. Within our marketing budget, media investment is the biggest one. In the luxury cosmetic market, media is a key because luxury is about storytelling… Luxury brands are aspirational and the media, aside the in-store shopping experience is our key support to communicate our brands value, an emotional touchpoint with the consumer.

Q: I do not want to hear figures but how much you spend on media as compared to other product categories?

A: You mean for example…?

Q: In your market investment is it a crucial element to invest into media or not?
Perhaps you know this Hungarian saying that „Good wine needs no bush".

A: It is really linked to the business model of the brand, on some brands a two digit number in percentage of the turnover will be invested in media. Nevertheless in some segments media investment is not present. For example we have just launched a new brand in Hungary called Clarisonic. It is an instrumental cosmetics brand and the business model is without traditional media. It is mainly based on strong PR-activity to explain this brand, supported by websites, bloggers, forums creating word of mouth. The second key factor of success on this brand is the shopping experience where you need to have the right merchandising visibility, staging in the shop in line with your brand values and to have demonstration of the products through „beauty advisors". So here we can have a really different business model without media.

Q: And how do you organize media management within the firm. Is it a task for brand managers or is it a special function?

A: In the luxury division, media is the responsability of our marketing director and her brand managers. They are supported by an external advertising agency, which is analysing the markets and proposing media plannings. We are also working with agencies which are specialized in PR, in digital technology and social media.

Q: And is your media activity a globalized one or you adapt it market by market?

A: It is a relevant question. There are two parts. First the content of the media – for example for luxury brands – is globalized. A new advertising of a new fragrance or skincare product has the same tv-spot, press visual in whole Europe. We want to have the same consistent brand message wether you live in London, Paris or Budapest. On our FMCG products you can have a local creation in terms of content, to increase proximity with your consumers. The second part concerns our media strategy: in term of investment by support it is based on the specificities of the different markets: we always analyse which supports are the most efficient for our goals. The selection of usage and weight of investment of media like TV, press, outdoor, digital is a local strategic decision. There are some global recommendations and best practices but this is the responsability of the local management to maximize their media investment market by market.

Q: Your advertising material is a global one so you do not invest here into hungarian tv-spots.

A: For my division which is on luxury brands, my advertising content is global, using often international ambassadors (actress, models...), who embody the value of the brand. For my colleagues of FMCG division, they have majority of global advertising material but they already produced in the past local advertising with hungarian spokepersons with strong local affinity and awareness.

Q: How do you see the tasks and the bottlenecks in media management? Generally and in Hungary. Or in the region, because you are familiar with the region.

A: Yes. The task is more and more difficult, because the media environment is becoming more and more complex. In the past TV was the biggest and most effective media. In Hun-

gary in the '90s, by using two-three tv-channels you could quickly reach your whole target. This opportunity does not exist anymore in the hungarian TV market: there are now more than 90 cable-channels, so there is a real segmentation, which makes even more complex the media selection. But media is not only TV; press, radio, outdoor can be extremely relevant for some categories and goals. Nevertheless the real revolution in media is happening now and it is Digital. This is actually a very complex new world which is developing very fast with new opportunities, which has to be selected according to your brand goals and value. Digital is growing faster than any previous media support. It is offering such new opportunities that it is requiring experts. It will create a lot of new tasks but also wrong paths which can bring bottlenecks: I remember such example with the website called Second Life created in 2004: people were able to enter this virtual world where you can visit places, meet other people, but you were visiting also shopping malls, and there were opportunities for brands to advertise in this virtual world or to create your own brand shop. It was at this time the future of digital experience and a great deal of brands invested in this world. Ten years later this virtual world, this media platform nearly disappeared. Therefore facing a growing complex media environment will require categories experts as for example Digital manager or social media manager. The last point I would insist on media management is how crucial it is to understand deeply your brand and its goals which will be a key factor of success in your media management.

Q: Regarding digital technology do you think of social media as well, also the interpersonal relationship, digital relationship among consumers?

A: This is a hot topic because it is true that at the beginning, digital was just about having some advertising on internet. Today it is completely changing, we have not only to advertise with specific content but we have also to take into account that the audience, our consumers are becoming a media. They will express themselves about your brand, your new products, share it with their social sphere. Therefore you have not only to follow your share of advertising on internet, but you have also to monitor your presence in forums, your weight in blogger's sites and so on. Digital relationship among consumers to get information and opinions, recommendation has become an usual step in consumer's intention of purchase and therefore social media is a key driver too in our media strategy and investment.

Q: What is your personal opinion about this phenomenon? Will the brands be able to manipulate the social media network? Because it is a big question, a challenge, I think.

A: I think if a brand would try to manipulate the opinion, the audience, it could not be sustainable. Our consumers are interconnected, are really relying a lot on the opinion of the friends, ...there is an access to so much information, that I think, the manipulation would be clearly discovered and would hurt drastically the brand, its image. Therefore I do not believe brand can manipulate the social media network. On the contrary, the strength of consumers thanks to social media is reinforced and they are asking more communication from the brands. Communication of their activities, products and promotions but even more on the brand values, philosophy and commitments.

Q: How do you see that chance of controlling the social media network by the brands?

A: To control is a very strong word again, you can monitor it, to see your presence and your image reflected there. The key thing is to be in touch with this world and to face its content. If there are complaints, negative feedbacks, these are signals to challenge yourself. Is my offer disappointing? or my communication problematic? Sharing information, the brand or product features through bloggers, forums discussion or your website are answers to such situation. Brands have to participate in the social media network, not to control it.

Q: So, if I calculate well, you have got twenty years experience in this market. Based on your twenty years experience, what are the lessons according to you for... the brand managers, marketing managers and PR-managers in this market?

A: We are speaking here about different functions... brand manager, marketing manager, PR-manager... they have all different assignments so I will try to give shared advices. I think the first one is to have a business curiosity. They have to be open not only to their specialization field but to the whole business environment where their company is. For example, a marketing manager or a media manager should also regulary spend time in stores where his brand is distributed, to experience the shopping environment. The second advice is to be able to set up relevant KPI – Key Performance Indicators – to establish the targets of your activity and then analyse your results. I faced many situations were people presented creative, brilliant ideas and qualitative actions but disconnected to concrete measurements. You can spend huge budget on media, like Tv or digital, but if you do not have clear KPI for your targets, from audience reached to sales evolution, you will be not able to evaluate the success and efficiency of your campaign.

Q: What is the philosophy, concerning corporate social responsability, of l'Oréal?

A: Corporate social responsability? Sharing Beauty with All is the name of L'Oréal ambitious social and environmental responsability program, reinforced by the convinction that businesses' ability to serve the public interest is what will make all the differences in the years to come. Through this program, L'Oréal is by 2020 commited to innovate so that 100% of our products have an environmental or social benefit, commited to reduce our environmental footprint by 60% while bringing beauty to one billion new consumers, commited to empower every L'Oréal consumer to make sustainable consumption choices while enhancing the beauty of the planet. L'Oréal wants also to achieve its ambitions while sharing success with its employees, its suppliers and with its communities.

Q: But I observed, that l'Oréal has got a very intensive relationship with the education, especially with higher education. So what is the philosophy behind?

A: When you say education, you mean our relationship with universities...?

Q: Yeah.

A: It is quite obvious for us and I am proud that we are in close relationship with universities. L'Oréal organize different international competitions for students: 'Brandstorm' is a yearly marketing business case international competition for students on an existing brand of the L'Oréal portfolio. Each year the hungarian student team who won our national contest is going to Paris to participate to the worldwide final at L'Oréal headquarter. 'Reveal' is an online business game that gives the opportunity to students to experience different roles in the company and solve quizzes. These international competitions allow students to show their skills and discover L'Oréal. For us it is an opportunity to get direct contacts with students, top graduates and it is a source of detection of talents for our recruitment. L'Oréal also participed to some universities program, conferences where real business cases were presented.

Q: Is it the same practice in France?

A: Yes, the practice is the same in France. This policy is international and is shared worldwide.

Q: Ok. Thank you very much for the interview.

A: With pleasure.

ZSÓFIA MÁRTA PAPP

TOURISM DESTINATION MANAGEMENT FOR COMPETITIVE HUNGARIAN TOURISM DESTINATIONS

Tourism is a dominant branch of the service sector in Hungary and has also become a strategic sector (Nemes 2008). The planning of potential development based on the country's endowments has become more target-oriented, which if successfully managed will be manifested in continuously improving performance. The importance of tourism is also shown by the fact that the employment rate in tourism has continued to increase (ksh.hu 2014).

The Hungarian development programme (called the New Széchenyi Plan) has a strategic development programme (furthermore it is the first in its kind in this country) designed for tourism, focusing on health tourism. Therefore this sector has a special and emphasised role, but it is also a key element in other plans, too (e. g. the national employment policy). In the drafting of the second Tourism Development Strategy (2011) sector-specific tasks and five main goals have been identified. The first goal is to improve the competitiveness of the destinations. There is no consensus however, on which destinations can be regarded as competitive and which need to be improved or developed to be competitive. To answer these questions it is important to compare the competitiveness of the various tourism destinations.

This paper deals with this current and important practical topic. After defining the 'destination' the paper will show the importance of its management, the organisational background and the Hungarian situation. Focusing on the goal to produce results that can be utilised in practice the research questions are the following:

1. Which spatial unit can be regarded as tourism destination?
2. How can the competitiveness of a destination be defined?
3. How can the competitiveness of a destination be measured?
4. What are the characteristics of competitiveness of Hungarian tourism destinations?

After a critical overview of the wide-ranging relevant literature it became obvious that several definitions and research had been published in the wider topic of the research. Analyzing and systematizing the relevant literature the conceptual framework was specified to use as a basis throughout the research. Having established the framework the research focused on measurement and an appropriate index was formulated and tested on Hungarian tourism destinations.

Destination definition

Tourists' demands have changed lately. The most sought-after product is now the *experience*, which can be available in a destination. That also means that the analysis of competition concentrates on destinations (Ritchie – Crouch 2000). However it often remains an unclarified question what a tourism destination is. There are countries where a group of minimum criteria determine a destination – such criteria can be the number of guest nights, local or community tourism bureaus or the size of the budget (Aubert et al. 2010). But the main characteristic is that the whole territory means one unit for the tourist, and during and at the end of the travel all the things build up into one complex experience. Therefore it is important to look at destinations as the scenes of available experiences – where the product (that is the destination) is lived through instead of being consumed by tourists (Stamboulis 2008).

Tourists' experiences can be of all kinds however – and also the scope of the destination is observed differently. This exposes the main difficulty of destination research: the 'district' cannot be easily defined. After Nemes Nagy (2009:101) who says: "as many people-so many scopes" it can also be said: as many people-so many destinations.

Among terms used in the field of economics, a tourism destination can be seen as the equivalent of a traditional nodal region. This type of region is usually regarded as related areas of several neighbouring settlements – with one or some bigger cities in the middle, as a node (Lengyel, I. 2009). Nodal regions generally mean the spatial concentrations of an economic activity, mainly within the processing industry (Lengyel, I. 2010). Nevertheless a destination is usually organized around an *attraction* not a town or village – it is similar to a nodal region. In addition, a destination is also open and cannot easily be defined by administrative boundaries.

Yet, in the scientific literature many of the authors examine existing regions (Cracolici – Nijkamp 2008) or mostly countries (Gomezelj – Mihalic 2008; Dwyer – Kim 2003; Blanke – Chiesa 2009; Croes 2011) as destinations because it is easy to handle and research – merely because of the existing boundaries. They usually also emphasise that considering geographical and/or administrative boundaries as definers of a destination is not always eligible, because tourists' choices do not rely on administrative boundaries. Klepers and Rozite (2010) say the same drawing on their research, where they found that travellers do not notice administrative borders in general (Klepers – Rozite 2010).

Leiper (1995) says that a destination is the place towards which people travel and where they choose to stay for a while in order to gather experiences (Leiper 1995). This definition makes research difficult, because the territory and the boundaries of the place regarded as their 'destination' can vary according to the tourists' expectations and motivations.

Taking the supply-side approach, Buhalis (2000) defined a destination as a region where all the supply elements (attractions, services, etc.), which a tourist would need are available (Buhalis 2000). It seems straightforward to delimit the destination like this, but considering the various services that different tourists need. It also fails to give a good basis.

In this paper the issue is considered from a management perspective. The destinations may be performed as collaborating networks of complementary organizations (Gunn 1997) and it is also evident that a destination with a management organisation is more effective and competitive and able to react more rapidly on market changes than without it (Raffay et al. 2010).

This "management view" can be found in the definition phrased by the United Nations World Tourism Organisation (UNWTO 1989), which can be regarded as the most accurate. This assumes that the destination has an organisation which is responsible for its management, usually called the Destination Management Organisation (DMO). In Hungary these DMOs are still being established and founded with the definitive goal to help in any way to improve the competitiveness of the destination they are responsible for. Therefore it seems to be logical to consider those spatial units which belong to a DMO as Hungarian tourism destinations.

Although there are places[1] without DMOs, and therefore the comparison of destinations will now be possible only in a limited way using this definition. However the delimitation of the destinations on the basis of the DMOs gives an ideal starting point for the research. These local DMOs are in an intermediate status: they are official, so they are also administratively more or less approved but at the same time they aggregate the tourism destinations based on experiences and partnerships. Since their tasks can be slightly different and as the local destinations' success are critically important in terms of bottom up building, the most appropriate spatial units to be researched are those belonging to local DMOs at the first stage.

The importance of destination management and the Hungarian DMO system

Nowadays destination management itself is of growing importance. Tourism destinations in Hungary have not been bottom-up units thinking together, but small regions formulated by the central government (Hanusz 2010). Any administrative region may not respond as quickly or quickly enough to market changes, compared to a destination based on close co-operation (Kovács 2008). Regional tourism supply and the formulation and strengthening

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[1] Of course it cannot be a goal to cover the whole territory of Hungary – but now some „typical" destinations, (like Szeged) are still missing.

of tourism destinations are some of the most significant instruments to increase competitiveness (Hanusz 2010).

This is the main reason why destination management is so important (not only in Hungary). Destination competitiveness is a fashionable term, but also a key factor influencing the long-term survival of a destination. It follows that the Secretariat for Tourism within the Ministry of Local Authorities decided to foster the establishment of DMOs throughout the country (Raffay et al. 2010) and to maximize advantages including:

- Possibility of conscious development with the interest of all the stakeholders;
- Financial basis and competence for independent actions;
- Effective marketing;
- Effective image-formation for the area;
- Increasing tourism performance, more tourists and income;
- The local government can delegate tourism-like tasks to the DMO (yet have more tax-income);
- New work places, migration can stop. (Hanusz 2010)

In the Tourism Development Strategy (2011) it was also determined that competition among destinations is stronger and stronger (p. 16.) therefore it was seen as an important task is to establish and develop destination management organisations (DMOs), which are responsible for the destinations. These organisations are able to influence the competitiveness of the destinations, too.

The first organisations which worked like a DMO were established at the beginning of the previous decade. For instance, the success of the Gyenesdiás Tourism Association, founded in 2003, proved that the bottom-up approach is effective indeed, and only cooperation leads to successful development.

Accordingly the tourist administration of the national government tried to further these sorts of bottom-up initiatives and help the local and regional participants of tourism to organize DMOs for improving destination management performance. In 2005-2006, within the frame of Lake Balaton Partnership Programme, a training programme was organised and tourism professionals were teaching about the importance of cooperation in the tourism sector. They presented international best practices and sketched out the planned Hungarian system. As a result of this training the Balaton DMO Booklets came into existence (Clarke – Raffay 2011). In 2008 a handbook of organizational and professional DMO development was published. This offers easy-to-follow guidelines for the tourism sector to build up these organisations and in addition more and more invitations to tender became available to fund organisations that could achieve these aims (Jancsik et al. 2008).

Task	Local	Middle level	Regional
Planning	◑	●	●
Development	●	●	◑
Destination marketing	◑	●	●
Attraction and visitor management	●	●	◑
Quality management	◑	◑	●
Monitoring	◑	◑	●
Professional training	◑	◑	●
Advocacy	◑	◑	●

Legend: ● main task   ◑ occasional task

Table 1. DMO tasks at different levels
Source: Lengyel, M. 2007. p. 19.

The handbook also stated the main characteristics of the Hungarian DMO-system, including its structure. The DMO-system in Hungary consists of three levels:
1. local level (settlement),
2. middle level (micro-region),
3. regional level (region).

Local level – as the basis of the whole DMO-network, these are usually formulated by a settlement, if the conditions for effective operation are ensured. If conditions are not given in one settlement then they have the possibility to cooperate with other settlements, formulating a local level DMO system or the local enterprises can join in the geographically nearest local (maybe micro-regional) organisation (Nyirádi – Semsei 2007).

DMOs can exist at all the levels – but with slightly different functions. Typical tasks are shown in Table 1.

Some expectations are common (present at all levels), like development cooperation, research activity or information management (Lengyel, M. 2007), which are stated in the handbook – and appear as basic requirements in the series of tenders.

Since 2010 the new DMOs have to be registered at the Secretariat for Tourism within the Ministry of National Economy (it is a prerequisite of the tendering activity). At the time

of the research, there were 75 registered DMOs working in Hungary (tdmszovetseg.eu) and their geographical distribution within the country is shown in Table 2.

Region of Hungary	Number of local DMOs
Balaton Region	19
Southern Great Plain Region	4
Southern Transdanubian Region	7
Northern Great Plain Region	6
Northern Hungary Region	12
Central Transdanubian Region	7
Central Hungary Region	4
Western Transdanubian Region	6
Altogether:	**65**

Table 2. Number of local DMOs by Hungarian regions (2012)
Source: tdmszovetseg.eu

In 2011 a new tendering period began and with the help of this invitation to tender the government wanted to support the formation of not only the local but the regional DMOs as well. This initiative saw at the end of 2011 the commissioning of the first regional DMO in Hungary, when the Balaton Regional DMO was established.

This research focuses on local DMOs, because this part of the DMO-system is the best evolved.

Theories and models of destination competitiveness

In the last two decades destination competitiveness has emerged as a major focus of tourism research. It started with the adoption of Porter's seminal work (1990) *The Competitive Advantage of Nations* and now there are several theories about the competitiveness of various territories. Several reports and articles have been published on the competitiveness of whole countries (Gomezelj – Mihalic 2008; Armenski et al. 2011) and it is important to mention the most popular competitiveness index from the World Economic Forum (WEF[2]) (Blanke – Chiesa 2009). In the field of regional economics the focus has been on smaller entities such as

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[2] WEF: World Economic Forum

regions and cities (Go – Govers 2000; Heath 2002; Cracolici – Nijkamp 2008). In the tourism field the most appropriate kind of territory for deeper investigation is the destination, as the competition in tourism has intensified between destinations (Jancsik – Mayer 2010).

The importance of being competitive is not the subject matter anymore. This has been recognised as it must be the main goal for both the successful and the less visited countries. The exact meaning of this phrase has been to some extent clarified due to Ritchie and Crouch's valuable contribution (2003) to the topic. The most accepted definition from the authors suggests that a destination is truly competitive if it has the "*ability to increase tourism expenditure, to increasingly attract visitors while providing them with satisfying, memorable experiences, and to do so in a profitable way, while enhancing the well-being of destination residents and preserving the natural capital of the destinations for future generations*" (Ritchie – Crouch 2003:2). This definition shows well that competitiveness is a complex term, which becomes abundantly clear when we try to quantify it, that is to measure the competitiveness of a destination.

But for effective tourism management it is essential for the destination to be able to measure its success at any time and to be able to determine the points (factors) where certain management interventions (marketing, development, etc.) can help to achieve or maintain this success.

For this reason several models can be found in the relevant literature which tries to find a system of competitiveness factors for various types of destinations. There are several researchers however, who focus on the overall examination of destinations (Enright – Newton 2005; Vanhove 2002). The research fields and the depth of the examination are however very different.

With theoretical models researchers try to map the competitiveness of tourism destinations and to determine those factors which influence it. Most of the tourism destination competitiveness models are comprehensive – therefore useable to compare competitive destinations. But exact measurement is usually not part of the model building procedure. The most cited theoretical models are shown in Table 3.

Within these contributions the most spectacular is the one of Heath (2003) who used the analogy of the house to build his destination competitiveness model. He used it to analyse the competitive position of South-Africa for the first time. The most cited theoretical model was established by Ritchie – Crouch (2003). This model is the most comprehensive with 36 elements altogether. Although the model is complete regarding the factors influencing destination competitiveness, it has to be noted that this is all that the model can provide. Therefore, although it is cited and often used by researchers as a starting point, there are just as

many critiques published as well, mostly highlighting the lack of the logic and the connections among the factors.

This is why the *integrated* model of Dwyer – Kim (2003) is so famous and popular. They have built their model much more carefully showing the connections by arrows. They also tried to elaborate a measurement system, but it was too difficult and only applicable for whole countries as destinations.

Researcher	Starting point/model	Is there a methodology for measurement?
Ritchie – Crouch 2003	Porter	no
Dwyer – Kim 2003	Ritchie-Crouch, Porter, Dwyer et al.	yes
Hassan 2000	Porter	no
Heath 2003	Ritchie-Crouch és Dwyer-Kim	no
Paskaleva-Shapira 2007	Dwyer-Kim	no
Rodríguez-Díaz – Espino-Rodríguez 2007	Porter	yes
Tőzsér 2010	mostly Porter, Dwyer-Kim és Ritchie-Crouch	no
Vengesayi 2003	Ritchie-Crouch	no

Table 3. Theoretical models examining tourism destination competitiveness
Source: Papp 2013. p. 49.

As a common criticism of the models it can be generally stated that the tourism destination competitiveness models mostly concentrate on the research of whole countries or larger territories and these are not, or only in a limited way, available for the examination of "small" destinations. Special indices and measurement methodologies are also published by various researchers (Croes 2011; Garau – Taberner 2007), but most of them are applicable only in the exact case and/or destination and they cannot be easily adopted.

The largest incompleteness of the examined models and methods is that the used factors are not separated by the cause-result logic. It is however important to separate the indicators as "ex ante" and "ex post" factors (Török 2003). Then it could be evident what factors are able to produce the results (and therefore are usually able to be measured, too), and which can be developed in order to modify (of course, to improve) the results.

As tourism destinations can be regarded as a region, it was obvious to review the literature background of regional science. In that field there is a comprehensive contribution, known as the general regional competitiveness model. This Hungarian contribution to the field, the

so called pyramid-model (Lengyel, I. 2003), is translated and used in many countries. Comparing the incompleteness of tourism destination models with Lengyel's pyramid-model, the experiences show that the pyramid-model is much more logical, consistent and easy to use. Furthermore it is more suitable to examine small territories, even small destinations, just like Hungarian tourism destinations. The concept of the pyramid-model is seen in Figure 1. The main advantages of the model can be seen to be the following:

● the model was elaborated specifically for the smaller spatial units within countries;
● it was designed specifically with in the Hungarian circumstances in mind;
● it also fits together with the accepted definition of competitiveness of the tourism destinations (Ritchie – Crouch, 2003);
● in the model the cause-result factors can easily be separated.

General regional economic competitiveness is however slightly different from the competitiveness of tourism destinations. Therefore the pyramid-model needed some modification (Papp – Raffay 2011).

The logic and the setup of the basic model (Lengyel, I. 2003) were fully kept during the application of the model for tourism destinations: the top of the pyramid-model shows the final goal of competitiveness and success: to reach the welfare of local residents. From the bottom up there are first the success factors, the base factors and the base categories which are built on each other.
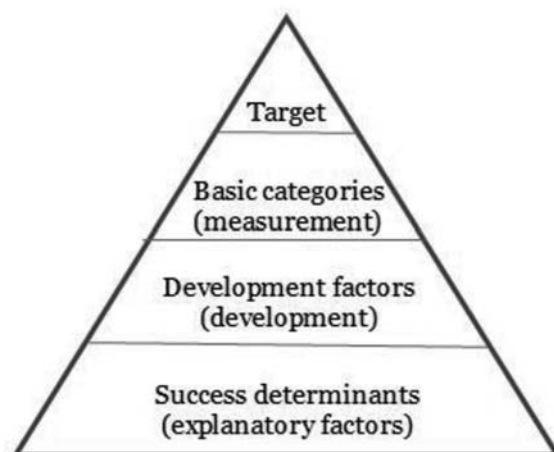

Figure 1. The logic of the pyramid-model
Source: Lengyel I. 2003. p. 291.

During the application for tourism destinations the base factors and the success factors have been changed a great deal in terms of specific content, as the general economic characteristics needed to be replaced by tourism-specific characteristics: new factors were selected on the basis of the destination characteristics, drawing heavily from the relevant literature (Figure 2).

The part of the model called 'base categories' shows the measureable elements. This section was modified both in content and in shape while applying the model to tourism destinations. The base categories in the original pyramid-model (regional income/GDP, employment and productivity) were not useable or only in a limited way in the modified model – therefore this part was replaced by the phrase "measurement of the competitiveness".

It was necessary to modify the pyramid-model because of the special characteristics of the tourism destinations. This alteration happened mostly on the basis of the relevant literature. But it was also necessary to validate the modified model so that it would be suitable for the examination of the defined Hungarian destinations. It was needed to prove that the modified model is convenient (Creswell 2009), to avoid what Mazanec et al. (2007) emphasize in their criticism: a significant proportion of the researches is "detached from reality", because little attention is paid to what practitioners think.
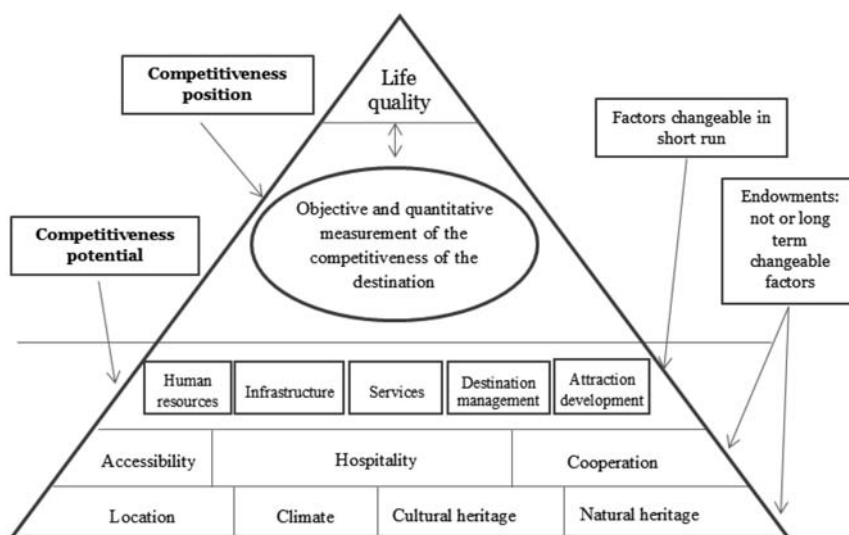

Figure 2. Applying the pyramid-model to tourism destinations
Source: Papp 2013. p. 62.

The validation process was implemented in terms of the content and the shape (Churchill 1995), using one of the validation strategies Creswell suggests (Creswell 2009) and calls "*member checking*". This is a qualitative method based on interviews. The method made it possible to gain in-depth opinions about the elaborated model, and the interviewees needed to be selected carefully. The managers of the DMOs were considered the most appropriate interviewees to validate the applied model as they know the destination well as a spatial unit, its characteristics and are responsible for its management and development but are also able to improve its competitiveness.

To summarize the validation process, the following findings may be stated:

- In terms of the success factors and base factors of the modified pyramid-model there is no element which is missing from the theoretical model.
- There are however some elements which were declared as not important by the interviewees. As these elements can well shade the picture of the destinations competitiveness potential, it is still reasonable to keep them in the model.
- Many of the interviewees argued about the objective measurability of the competitiveness position. They had some suggestions but these notions were not applicable to assess the competitiveness of the researched territory. It can be stated that the content (like applicable indices) of the competitiveness position could not be formed by the validation procedure because of the differences in the opinions. Therefore further action is needed in terms of the measurement of the competitiveness position.
- The shape, form and logic of the modified pyramid-model is clear, the collected elements of destination competitiveness are methodically linked in a system, which is clear and understandable for practical experts, too.

It is important to note that the further development of DMOs is still possible, as this is an ongoing process. Therefore it is still worthwhile to implement a new validation later on, when the number of destinations with DMOs has increased or other circumstances have changed significantly (but no later than in 5 years' time).

Compared to the original form of the model an additional modification was applied: the pyramid-model was divided by a horizontal line. The line represents the separation of the cause and result (so called "ex ante" and "ex post") parts. The part above the line shows the measurable part of competitiveness (this is the "ex post" or result side), which was named the *competitiveness position* – the position or competitive situation of the examined destination determined by measurement. Under the line there is the part of competitiveness, which cannot be objectively measured (this is the cause-side or "ex ante" part). This part was called

the *competitiveness potential*. The name was chosen because of the fact that this part shows the endowments and possibilities that the destination has.

Research hypotheses

With the application and validation of the pyramid-model the objective was to determine a starting point and a theoretical-logical framework to research the competitiveness of Hungarian tourism destinations. Therefore the research focuses on the mapping of the possibilities given by the model and the examination of Hungarian tourism destinations.

The aim of the research at the first stage was the "reconstitution" of the base categories in the pyramid-model; that is to sort and categorize all those indices which are applicable and appropriate to measure the competitive position of a destination, and which make the destinations and their competitiveness comparable.

After solving the problem of the measurement of the competitiveness position it became possible to analyse the Hungarian tourism destinations' positions in a complex way.

Hypothesis 1

The measurement-problem of the competitiveness position, determined by the pyramid-model can be solved easily, also in an in practice applicable way with the help of the available indices.

This hypothesis assumes that one unique index can be formulated with the help of the indicator kit determined in the first step of the research, which is both easy to calculate and to interpret by the managers of the DMOs. Thus the measurement of the competitiveness position becomes simple in practice to ease the evaluation of the destination's situation.

Hypothesis 2

In case of the competitiveness position the success factors of the applied pyramid-model appear as comparative advantages, but in the case of the same destination types the existence of the competitive advantages are determinative.

In view of the competitiveness position of the destinations the research has focused on the competitiveness potential in this step. The hypothesis refers to the endowment elements (that is the success factors of the pyramid-model) that are necessary, but not sufficient conditions, for the attainment of good competitiveness positions by a tourism destination.

Data sources

The destinations determined in the research do not serve as administrative units, but all of them contain one or more settlements. Therefore data were needed and gathered at the settlement level. The necessary data were collected from various sources (KSH[3], MÁK[4], KÖH[5]) with the help of the TeIR[6] system. After the collection data were aggregated to the destination level (in the case of the destinations containing more settlements). The latest available data at the settlement level referred to the year 2010. Since the data were collected from an official source, the checking of the reliability was neither possible nor considered necessary. Data gathered from secondary sources were used mostly to measure the competitiveness position of the destinations.

There are no available and appropriate data to analyse DMOs or DMO-destinations. Although the Hungarian DMO Association gathers some data regarding its member DMOs, these data are not beyond question regarding to reliability and actuality. Since data collection is not in an exact time or period, the coherence of the gathered data is a matter of question. In addition, not all the local DMOs are members of the Association, so the database is also incomplete. (To prove that the system is immature it can also be mentioned, that in some cases it was not even clear if one exact DMO is a local or a regional one, and which settlements are parts of it. These cases were cleared up by phone interviews with the particular DMOs.)

To complement the missing information primary data collection was needed. At the time of the research officially 65 local DMO-destinations operated in Hungary. Although the aim was to collect the data of all the organisations, finally the coverage was 92% (60 DMO managers answered).

A questionnaire was used to ask the DMO managers, which was delivered online[7] to be as efficient as possible. The design of the questionnaire made questions compulsory to answer and thus the number of missing answers was reduced to zero in the case of the important questions.

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[3] Hungarian Statistical Office

[4] Hungarian State Coffers

[5] Cultural Heritage Office

[6] National Spatial Development and Planning Information System – www.teir.vati.hu

[7] The online questionnaire was constructed by the software of the faculty of Business and Economics of University of Pannonia.

According to its topics the questionnaire can be divided into three main parts:
- questions about the DMO (e.g. size, main characteristics, etc.) are in the first part;
- in the second part DMO managers had to evaluate their own destination (reporting on specified aspects, in a given scale);
- finally there were some questions about the competitors of the destination.

The data collected by using primary sources are important for analysing Hypothesis 2.

Both secondary and primary data were systematized with Microsoft Excel, while SPSS software was used for the analysis.

The first step of the analysis was the production of *descriptive statistics*. This is applicable to evaluate the inner structure of the examined indicators (Héra – Ligeti 2005). In the paper descriptive statistics were used to explain the sample and also to examine the hypotheses. *Principal component analysis* was used for the next step of the research: to filter the indicators suitable to measure the competitiveness position. For the detailed analysis of the competitiveness position of the Hungarian destinations a *cluster analysis* was applied, which is a valid method when the aim is to find the typical characteristics during the analysis.

Characteristics of the local DMOs in Hungary

There is relatively little data available about the DMOs and the destinations they represent. Therefore the basic characteristics were also asked within the questionnaire prepared for them. 60 of 65 DMO managers completed the questionnaire, resulting in an acceptable response rate of 92 per cent. All the further analysis draws on these 60 DMOs (for locations see Figure 3).

Only roughly a quarter of the organisations were founded before 2009 – and then (probably due to the availability of funding sources) another 22 DMOs were formalized. 2011 was the other year, which resulted in the third most births of DMOs: 30 per cent of the organisations in the sample were formed in this year. 65 per cent of the organisations are newly created ones (in 2009 18 were new out of the 22 registered organisations) – but after 2009 there were more among the DMOs, which transformed from existing associations.

The organisations can choose from two forms of operations: a destination can be managed either by a tourism association or a not-for-profit Ltd. The vast majority (73 per cent) of the DMOs chose the association form, while two destinations decided to have the association and the non-profit Ltd. in parallel. It is also noticeable that the form of non-profit Ltd. is mainly selected by larger towns' DMOs (for example in Veszprém, Hajdúszoboszló or Keszthely).

The size of the DMOs can be examined in various ways. One possibility is to compare the number of members. A DMO has on average 86 members, but the standard deviation is relatively high: the DMO with the most of the members has 600 members – while the smallest operates with only 12. Typically the number of the members is constantly changing, often increasing. In the period since the evolution, the organisations have grown by an average of 51 members – with only 3 destinations recording that no change had happened. (But these 3 DMOs are among the earliest; two founded in 2011 and one in 2009.)

It is worth examining the number of settlements included in the DMO. At the local level of the DMO system it is also possible to create joint organisations and more than half (52 per cent) of the destinations have made use of this institutional form. In this sense the largest destination (and the largest DMO) is in Szombathely (named "Savaria DMO") which embraces 40 settlements. It can be concluded that only 8 organizations were founded with more than 10 collaborative settlements, and as an average a DMO consists of 5 settlements.

No correlation was found between the number of the members and the number of the settlements: it is not common that the more settlements a destination has, the more members
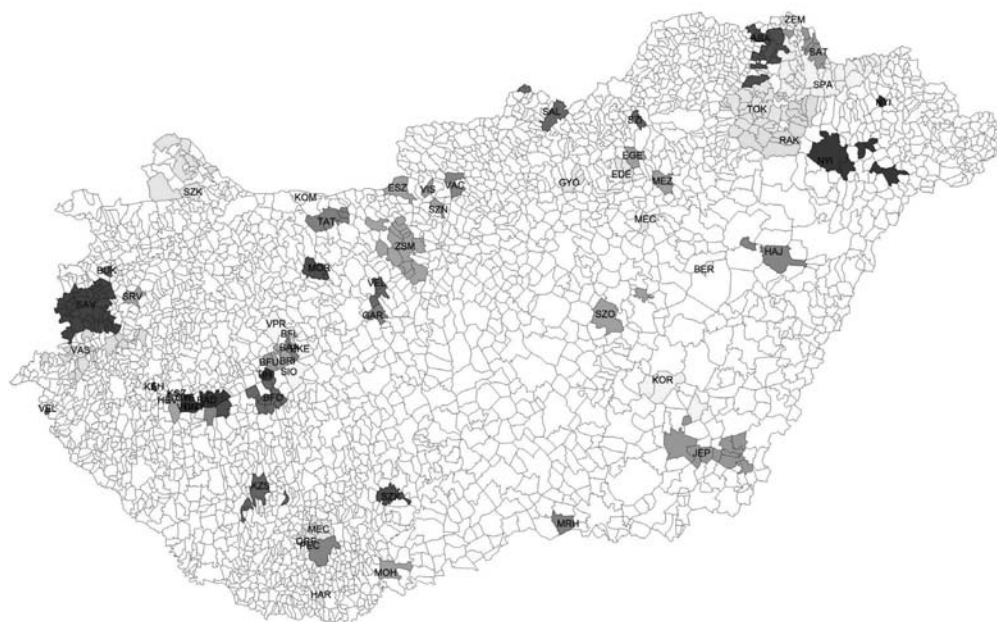

Figure 3. Locations of the 60 examined local DMOs
Source: Papp 2013. p. 84.

of the DMO can count on. Many examples can confirm this; a prominent example is Balatonfüred with 170 members (from one middle-sized town) – or on the other hand Sárospatak, where only 52 members were gathered from 33 settlements.

The number of people employed can also refer to the size of the DMO and its destination. Regarding the regular staff the majority of the organisations (nearly 30 per cent) can maintain only one job (which is the DMO manager's), while 4 organisations do not have any permanent employees. These DMOs all operate as associations and the members do social work to carry out the necessary tasks. The most of the regular employees work in the Tokaj DMO (9 employees) and an average of 2.5 permanent workers are found in the DMOs.

In respect of temporary workers, the proportion of the organisations with no temporary employment is much higher (30 per cent). Hajdúszoboszló represents the other extreme: in 2011 8 seasonal staff had been recruited. The overall average is 2 employees.

All the questionnaires were filled in by the DMO managers (or association chairs, if there was no manager) and some of their personal characteristics were collected in terms of education and business experience (number of years spent working in tourism). As expected, a large proportion (exactly 40 per cent) of the managers held a bachelor degree in tourism. Although there is one manager who does not have any diplomas, there are three others, who also have a doctoral degree.

The managers have on average 13 years of work experience. The proportion of those who had 10 years of experience or less is significant (42 per cent), but equally significant (20 per cent) is the proportion of those who had experienced more than 20 years working in tourism.

It can be clearly seen that the Hungarian local DMOs and the destinations they are responsible for, are diversified – looking at any of the organisational factors: their size, operational form, or at the characteristics of their employees.

Research results

In implementing the research steps, the first task was the "reconstitution" of the competitiveness position in the pyramid-model applied to the tourism destinations. After that a complex analysis of the Hungarian destinations took place and also the hypotheses were examined.

Competitiveness position measurement

From the several sources used all the potential indicators were gathered, which could be appropriate to measure the competitiveness position. The principal component analysis of

the selected indicators resulted in the definition of two principal components on one hand (Table 4) and in the reduction of the indicator kit to the minimum on the other hand.

Rotated Component Matrix [a]		
	Component	
	1	2
Average number of employees in tourism per year	.942	
Number of guests	.926	
Income from accommodation	.925	
Number of inbound guests	.915	
Income from catering	.913	
Occupancy rate (beds)		.943
Occupancy rate (rooms)		.926

a Rotation converged in 3 iterations.

Table 4. Rotated Component Matrix
Source: Papp 2013 p. 91.

The first evolved principal component was labelled the *Key performance indicator* of the destination, while the second (containing occupancy rates) was named as *Capacity utilisation index*.

The two principal components have 93% explanatory power.

In the pyramid-model applied to tourism destinations the competitiveness position can be defined by two principal components: the capacity utilisation index and the key performance indicator. The final shape of the pyramid model with these findings is shown in Figure 4.

The results harmonise with the original pyramid-model: the income and the employment (that is its part according to the tourism superstructure) appear in the key performance indicator. The expectation to have a manageable number of the indicators is also fulfilled as enough to measure the competitiveness position of tourism destinations relatively simply and quickly. The two principal components contain seven indicators altogether.

The result of ensuring that the principal components analysis is useful for practical experts is that the indicators suitable for the measurement of competitiveness have been restricted. One stressed goal of the research was to implement a complex evaluation about the competitiveness position of the Hungarian tourism destinations. To reach this goal a cluster analysis was implemented with the help of the seven indicators, which resulted in the principal components analysis. The first attempt was made to group and standardise the Hungarian destinations.
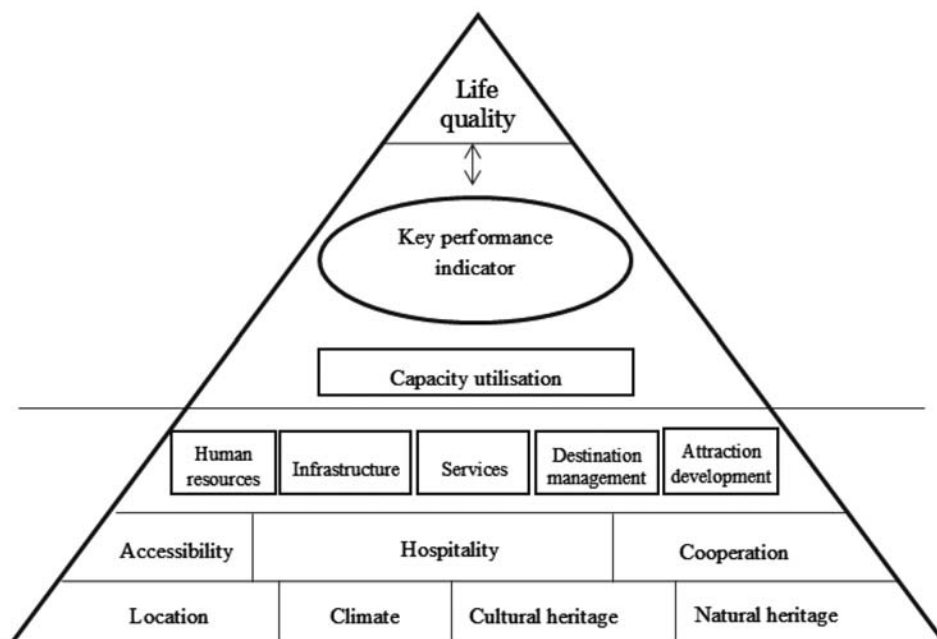
Figure 4. Final shape of the pyramid-model applied to tourism destinations
Source: Papp 2013. p. 93.

After excluding the overhanging elements (Hévíz and Hajdúszoboszló) the proposed solution of five clusters was found to be stable and professionally reasonable, therefore this was elaborated. The clusters resulting from the cluster analysis were named as follows:

- Destinations with relatively strong competitiveness position: the **number ones**: cluster K5 (5,17% of the destinations).
- Destinations **strong in utilisation**: cluster K4 (6,9%).
- **Significant towns**: cluster K3 (5,17%).
- **Mass base:** destinations with competitiveness positions under the average, but not the weakest: cluster K2 (56,9%).
- Destinations with relatively weak competitiveness position, the **laggards**: cluster K1 (25,86%).

Summarizing the cluster analysis, it can be stated that the destinations can be standardized by their competitiveness position, which helps the complex analysis of the destinations and also helps to explore the power relations.

At the same time the methodology of cluster analysis is not common enough to be used safely and routinely by a DMO manager. Since the aim is that the results of the research would be useful also in practice, I think it is much more useful to give an instrument to the DMO managers, which is easy and simple to use and with which they can determine their own competitiveness position themselves. In harmonisation with this aim the first hypothesis was articulated.

Testing the hypotheses

Hypothesis 1

The measurement-problem of the competitiveness position, determined by the pyramid-model can be solved easily, also in a practically applicable way with the help of the available indices.

It is expedient to create a complex index to measure the competitiveness position really simply. According to the way that the indicators have various units of measurement, the first step must be to make them comparable. Therefore a scale coordination transformation was applied (Barna 2007), to have all the indicators at the same level scale. Thus the indicators became easy to summarize. It is reasonable, however to weight the indicators – practically with the rotated factor weight. The created index was named as destination competitiveness index (DVP – based on its Hungarian name), with the formula as follows:

$$DVP = 0,942 \cdot \acute{A}L + 0,926 \cdot \ddot{O}V + 0,915 \cdot KV + 0,925 \cdot SZB + 0,913 \cdot VB + 0,943 \cdot FK + 0,926 \cdot SZK$$

Where
ÁL: average number of employees in tourism (accommodation, catering) per year;
ÖV: number of guests (all);
KV: number of inbound guests;
SZB: income from accommodation;
VB: income from catering;
FK: occupancy rate (beds);
SZK: occupancy rate (rooms).

After substitution of the formula and calculating the indices the competitiveness position of the examined tourism destinations can be explained and featured by one single number (Table 5). The DVP index is mostly appropriate to compare the competitiveness position of several destinations at the same time.

With the examination of the destinations ranking by DVP index, the experiences show that the ranking is in harmony with the results of the cluster analysis. It can be stated therefore that the DVP index can provide results fitting to those results reached by more difficult methodologies. Therefore the competitiveness position of the Hungarian destinations can be explained easily by reference to the DVP index, without an exact knowledge of serious research methods and this index can paint a real picture of the destination's position.

	Desztináció	DVP		Desztináció	DVP
1.	Hévíz	5,86	31.	Szolnok	0,92
2.	Hajdúszoboszló	4,73	32.	Veszprém	0,91
3.	Sárvár	4,14	33.	Orosháza-környék	0,80
4.	Bük	4,05	34.	Kehidakustány	0,78
5.	Siófok	3,90	35.	Gyenesdiás	0,77
6.	Balatonfüred	2,87	36.	Szilvásvárad	0,72
7.	Pécs	2,36	37.	Orfű	0,72
8.	Eger	2,24	38.	Vác	0,71
9.	Visegrád	2,20	39.	Vas-vidék	0,69
10.	Mórahalom	1,93	40.	Balatonalmádi	0,66
11.	Balatonkenese	1,74	41.	Komárom	0,66
12.	Szigetköz	1,68	42.	Mecsek	0,63
13.	Harkány	1,58	43.	Salgótarján	0,61
14.	Nyíregyháza	1,51	44.	Gárdony	0,61
15.	Balatonmáriafürdő és -keresztúr	1,51	45.	Vonyarcvashegy	0,60
16.	Balatonföldvár	1,41	46.	Tokaj	0,59
17.	Velence	1,38	47.	Badacsony	0,58
18.	Egerszalók	1,33	48.	Balatongyörök	0,57
19.	Tihany	1,33	49.	Gyöngyös	0,55
20.	Keszthely	1,19	50.	Esztergom	0,55
21.	Mór	1,12	51.	Kapos-Zselic	0,52
22.	Zsámbék	1,09	52.	Aba-vidék	0,47
23.	Tata	1,08	53.	Mohács	0,46
24.	Berekfürdő	1,01	54.	Sárospatak	0,45
25.	Balaton Riviéra	1,00	55.	Zemplén	0,35
26.	Matyóföld	0,99	56.	Szekszárd	0,27
27.	Fonyód	0,98	57.	Balatonfűzfő–Litér	0,24
28.	Balatonfenyves	0,97	58.	Sátoraljaújhely	0,24
29.	Szombathely	0,96	59.	Rakamaz térsége	0,12
30.	Körös-vidék	0,92	60.	Szentendre	0,07

Table 5 Ranking the examined Hungarian local DMO destinations
Source: Papp 2013. p. 100.

Hypothesis 2

In case of the competitiveness position the success factors of the applied pyramid-model appear as comparative advantage, but in the case of the same destination types the existence of the competitive advantages are determinative.

To prove the hypothesis a much more shaded analysis of the destinations was carried out: the competitiveness was examined within the categories formulated according to the competitors of one another. Altogether four categories were isolated on this basis in harmonisation with the typology of Aubert (2011):

- Beach destinations: the category contains the DMOs around the Lake Balaton, plus Gárdony and Velence (at the Velencei-lake).
- Health tourism destinations: those DMO destinations are in this group which are mainly famous of medical or wellness supply (like Hévíz, Bük or Kehidakustány).
- City destinations: the criterion was here that the DMO should contain only one or two settlements.
- Rural destinations: those which have no clear-cut attractions cannot be ranked in another type and the DMO is also "rural-like": contains more than two but usually more connecting settlements.

Within the groups the competitiveness position was analysed by the DVP index as the first step, and new rankings were created. Since the success factors (situated in the lower part of the pyramid-model) that is the endowments are almost the same among competitors (that is why they can be regarded as competitors) the little differences can be evaluated as exhibiting special unique characteristics. It was reasonable therefore to involve the success factors of the competitiveness potential (next to the competitiveness position). During the questionnaire research DMO managers evaluated their own destinations' success factors – it was necessary to have these evaluations as a base. With the help of the analysis, the situation among the competitors could be mapped and it was also possible to have a much more complex analysis, and to paint a much more detailed picture about the destinations than ever before.

The analyses showed that the competitiveness position is not determined by the success factors of the competitiveness potential, but the position and its improvement depends on competitive advantages. Competitive advantage can appear as the efficiency of the management, the success of the marketing activity, the grounded and expedient attraction development or other development activities – thus mostly these elements which appear in the pyra-

mid-model as *base factors*. The closer examination of the base factors is therefore a further interesting research field.

Conclusions: responses to the research questions

Having the results of the research and the review of the relevant literature, the research questions raised at the beginning of the paper can be answered properly as a conclusion. These answers together can also highlight the logic along which the whole research was built up.

1. Which spatial unit can be regarded as tourism destination?

Destination competitiveness depends on its management, which can influence the competitive position – and also take action to improve it if needed. Therefore it is obvious that a territory can be regarded as tourism destination if it has a management organisation. Recently a new approach was started in Hungary to develop local destination management organisations. Within the Hungarian circumstances therefore those spatial units can be considered as tourism destinations, which have a local DMO (independently from the fact that the DMO might contain one or more settlements).

2. How can the competitiveness of a destination be defined?

Destination competitiveness is not the notion which can be determined by one exact factor or number. As it is a quite complex conception, a theoretical model is useful to describe it.

After analysing several models it can be stated, that the pyramid-model elaborated by Lengyel (2003) for researching the regional economic competitiveness is the most suitable for the examination and research of Hungarian tourism destinations. In this research the applied model was also validated and tested.

3. How can the competitiveness of a destination be measured?

The applied pyramid-model was a useful tool to separate the "ex ante" and "ex post" parts of competitiveness. The "ex ante" part contains the factors which can influence the competitiveness of a destination – that is the competitiveness position (the "ex post" part).

The measurement of the competitiveness position given by the pyramid-model can be easily resolved (also in practice) by the disposable indicators. One of the main results is the identification of an assortment of useable and appropriate indicators – and the other is the DVP index which made the measurement even much easier.

4. What are the characteristics of the competitiveness of Hungarian tourism destinations?

Using the DVP index and other methodologies a very comprehensive picture can be painted about the destinations. According to these analyses there are two outstanding tourism destinations in Hungary: Hévíz and Hajdszoboszló. Unsurprisingly both are famous for health tourism based around water, which is an important and prioitised tourism product in Hungary.

However the analyses also showed that comparative advantages like mineral water or spas are not enough to have good competitive position. Among competitors the competitive advantages are more decisive.

Managerial implications

There is increasing competition in the tourism and hospitality industries: between destinations worldwide, between destinations domestically, and between firms within a destination. As tourism companies need a good management team to become (or stay) competitive, the same is also true for tourism destinations as they too need managerial solutions. Tourism destination management is a new field of management, which has a special task: partly because the manager is not only responsible for a spatial unit (which is the same as what regional managers have to do), but also because the territory is usually a special one (not necessarily defined or connected to administrative borders).

Effective destination management must facilitate visitor experiences and can improve the profitability of the business sector. An appropriate management can contribute to the longer-term prosperity and development of the local community (new jobs, more incomes, etc.). Destination management can also optimise the economic, social and environmental impacts by ensuring a responsible and sustainable balance between economic, socio-cultural, and environmental interests, especially if the destination has a DMO to coordinate and motivate cooperation among these interests.

In Hungary destination management is a more and more important field. As DMOs have been formulated and DMO managers realized the strength they have, they have started to

put actions in place in order to manage a successful destination. It has soon been realized that the way to long term successfulness is to be competitive.

With the help of this research, DMO managers can have ideas and also tools to better destination management:

1) Applying the pyramid-model to tourism destinations it became obvious, how the factors can be separated and which ones can be (or should be) managed and which are to be measured.

2) The principal component analysis also helped to find the best factors to count with in any measurement of the destination. Now managers have an idea how to find out their destionation's position, even with or without DVP.

3) DVP itself can prove to be a useful management tool to compare the competitiveness of destinations. If the analyses show different results than expected, then the managers can take very targeted actions.

4) Finally the DVP-hierarchy presented in this paper can show which destinations can be regarded as "best practice".

Among the aims of this research it was important to have results which could be used by practitioners, by real-life DMO managers to nourish destination competitiveness. Accorrding to the aims, the main result of the research, the DVP index is a useful managerial application, which can also ease the work of DMO managers as it can be easily constructed and interpreted.

Further research directions

The results of the research are helpful for the Hungarian destinations (and DMO managers) to identify where they are along the route compared to the other destinations, or specifically to those destinations which are travelling the same route.

In the research on destination competitiveness there are possibilities to move forward: new analyses can be found in the further application of the created DVP index and the applied pyramid-model has also many unexplored reserves.

The created DVP index can be used for dynamic analysis: with its help the competitiveness position of a destination can be evaluated in time. At the same time the index can be a method to assess the impact of a special activity to improve competitiveness. But it can be easily used to feature the "walk of life" of a destination as well.

Since the destination definition used in this paper can be verified in other countries as well (where DMOs exist), the elements of the pyramid-model can be the base of international

comparisons. If the selected indicators are available in other countries the international comparison becomes possible with the help of the DVP index.

Within the limits of this paper the analysis of the "middle" factor group of the pyramid-model, which includes the base factors, could not take place. The connections among these factors and the competitiveness position can be another interesting research topic, mostly to be examined by qualitative methods.

In the research the most neglected element is the final goal (in the top of the pyramid-model), the welfare (life quality) of the local residents. With the DVP index it is another exciting research area to find connections between destination competitiveness and welfare. It would also be interesting to find out if the success of the destination can really contribute to the quality of the local residents' life. An attempt has already been made to find these connections in the case of Hungarian counties (Papp – Molnárné Barna 2013).

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